18-025

[ORIGINAL]

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD APPLICATION FOR PERMIT

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

Facility Name:	The University of Chicago Medical Center - Downtown MOB				
Street Address:	355 E. Grand Avenue				
City and Zip Code:	Chicago	60611			
County:	Cook	Health Service Area:	6	Health Planning Area:	A-01

Applicant(s) [Provide for each applicant (refer to Part 1130.220)]

Exact Legal Name:	The University of Chicago Medical Center
Street Address:	5841 S. Maryland Avenue
City and Zip Code:	Chicago, IL 60637
Name of Registered Agent:	John Satalic
Registered Agent Street Address:	5841 S. Maryland Avenue
Registered Agent City and Zip Code:	Chicago, IL 60637
Name of Chief Executive Officer:	Sharon O'Keefe
CEO Street Address:	5841 S. Maryland Avenue
CEO City and Zip Code:	Chicago, IL 60637
CEO Telephone Number:	(773) 702-6240

Type of Ownership of Applicants

- [X] Non-profit Corporation
- [ ] For-profit Corporation
- [ ] Limited Liability Company
- [ ] Partnership
- [ ] Governmental
- [ ] Sole Proprietorship
- [ ] Other

- Corporations and limited liability companies must provide an **Illinois certificate of good standing.**
- Partnerships must provide the name of the state in which they are organized and the name and address of each partner specifying whether each is a general or limited partner.

APPEND DOCUMENTATION AS ATTACHMENT 1 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Primary Contact [Person to receive ALL correspondence or inquiries]

Name:	John Beberman
Title:	Director, Capital Budget and Control
Company Name:	The University of Chicago Medical Center
Address:	5841 S. Maryland Avenue, Chicago, IL 60637
Telephone Number:	(773) 702-1246
E-mail Address:	john.beberman@uchospitals.edu
Fax Number:	(773) 702-8184

Additional Contact [Person who is also authorized to discuss the application for permit]

Name:	Carla Gazes
Title:	Associate General Counsel
Company Name:	The University of Chicago Medical Center
Address:	5841 S. Maryland Avenue, Chicago, IL 60637
Telephone Number:	(773) 795-1995
E-mail Address:	Carla.Gazes@uchospitals.edu
Fax Number:	(773) 702-9310

Post Permit Contact

[Person to receive all correspondence subsequent to permit issuance-**THIS PERSON MUST BE EMPLOYED BY THE LICENSED HEALTH CARE FACILITY AS DEFINED AT 20 ILCS 3960]**

Name:	John Beberman
Title:	Director, Capital Budget and Control
Company Name:	The University of Chicago Medical Center
Address:	14216 Meadowview Court, Orland Park, IL 60462-2350
Telephone Number:	(773) 702-1246
E-mail Address:	john.beberman@uchospitals.edu
Fax Number:	(773) 702-8184

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: MCWS REC LLC

Address of Site Owner: Tribune Tower, 435 N. Michigan Avenue, Suite 2900, Chicago IL 60611

Street Address or Legal Description of the Site:

Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statements, tax assessor's documentation, deed, notarized statement of the corporation attesting to ownership, an option to lease, a letter of intent to lease, or a lease.

APPEND DOCUMENTATION AS ATTACHMENT 2, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Operating Identity/Licensee

[Provide this information for each applicable facility and insert after this page.]

Exact Legal Name: The University of Chicago Medical Center

Address: 5841 S. Maryland Avenue, Chicago, IL 60637

- [X] Non-profit Corporation
- [ ] For-profit Corporation
- [ ] Limited Liability Company
- [ ] Partnership
- [ ] Governmental
- [ ] Sole Proprietorship
- [ ] Other

- Corporations and limited liability companies must provide an Illinois Certificate of Good Standing.
- Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.
- **Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.**

APPEND DOCUMENTATION AS ATTACHMENT 3, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Organizational Relationships

Provide (for each applicant) an organizational chart containing the name and relationship of any person or entity who is related (as defined in Part 1130.140). If the related person or entity is participating in the development or funding of the project, describe the interest and the amount and type of any financial contribution.

APPEND DOCUMENTATION AS ATTACHMENT 4, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Flood Plain Requirements

[Refer to application instructions.]

Provide documentation that the project complies with the requirements of Illinois Executive Order #2006-5 pertaining to construction activities in special flood hazard areas. As part of the flood plain requirements, please provide a map of the proposed project location showing any identified floodplain areas. Floodplain maps can be printed at **www.FEMA.gov** or **www.illinoisfloodmaps.org**. **This map must be in a readable format**. In addition, please provide a statement attesting that the project complies with the requirements of Illinois Executive Order #2006-5 **(http://www.hfsrb.illinois.gov)**.

APPEND DOCUMENTATION AS ATTACHMENT 5, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Historic Resources Preservation Act Requirements

[Refer to application instructions.]

Provide documentation regarding compliance with the requirements of the Historic Resources Preservation Act.

APPEND DOCUMENTATION AS ATTACHMENT 6, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

DESCRIPTION OF PROJECT

1. Project Classification

[Check those applicable - refer to Part 1110.20 and Part 1120.20(b)]

Part 1110 Classification:

☐ Substantive

☒ Non-substantive

2. Narrative Description

In the space below, provide a brief narrative description of the project. Explain **WHAT** is to be done in **State Board defined terms**, **NOT WHY** it is being done. If the project site does NOT have a street address, include a legal description of the site. Include the rationale regarding the project's classification as substantive or non-substantive.

The University of Chicago Medical Center ("UCMC") proposes to consolidate and expand two of its existing, downtown medical clinics – a multi-specialty medicine clinic and a gynecology clinic – into one nearby location (the "Medical Office Building" or "MOB") through the lease of space in a mixed-use building located at 355 East Grand Avenue in Chicago (the "Project"). The MOB will consistent of a portion of the first and second floors of the mid-rise building and will offer ample street-level and garage parking. The Project will eliminate the inconvenience current patients experience while seeking care from having to visit two separate medical office buildings for different medical specialities and will enhance the clinic's offerings at the new location with complementary medical care. Specifically, the MOB space on the first floor will consist of a six-station immediate care center. The second floor will house examination rooms and other diagnostic and treatment facilities, including diagnostic imaging (a mammography unit, a general radiograph device, ultrasound, and bone densitometry), a small laboratory for blood draws and specimen collection, and non-chemotherapy infusion therapy.

UCMC anticipates that the equivalent of approximately 20 full-time providers, representing a variety of specialties, including immediate care, primary care, cardiology, nephrology, urology, rheumatology, surgery, dermatology, gastroenterology, psychiatry, sleep disorders, and OB/GYN will have offices in the MOB.

The build out would consist of 42,706 dgsg for both clinical and non-clinical space. The total Project cost is expected to be $29,300,000 and will be funded with cash and securities. The Project is expected to be complete by March 31, 2021.

The Project, which primarily involves the consolidation of two busy, existing UCMC practices, already has an established patient base and robust community support.

Pursuant to 77 Ill. Adm. Code 1110.40(b), the Project is classified as "Non-Substantive" because it will not establish a new facility on a new site, establish or discontinue a category of service, or propose a change in the bed capacity.

Project Costs and Sources of Funds

Complete the following table listing all costs (refer to Part 1120.110) associated with the project. When a project or any component of a project is to be accomplished by lease, donation, gift, or other means, the fair market or dollar value (refer to Part 1130.140) of the component must be included in the estimated project cost. If the project contains non-reviewable components that are not related to the provision of health care, complete the second column of the table below. Note, the use and sources of funds must be equal.

Project Costs and Sources of Funds			
USE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Preplanning Costs			
Site Survey and Soil Investigation			
Site Preparation			
Off Site Work			
New Construction Contracts	$1,916,423	$8,103,917	$10,020,340
Modernization Contracts			
Contingencies	191,642	810,392	1,002,034
Architectural/Engineering Fees	158,105	668,573	826,678
Consulting and Other Fees	66,147	279,716	345,863
Movable or Other Equipment (not in construction contracts)	3,116,349	1,867,997	4,984,346
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)			
Fair Market Value of Leased Space or Equipment	1,813,696	7,669,522	9,483,218
Other Costs To Be Capitalized	828,845	1,784,445	2,613,290
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS	$8,091,208	$21,184,562	$29,275,770
SOURCE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Cash and Securities	6,277,511	13,515,040	19,792,552
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)	1,813,696	7,669,522	9,483,218
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	$8,091,208	$21,184,562	$29,275,770

NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT 7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Related Project Costs
Provide the following information, as applicable, with respect to any land related to the project that will be or has been acquired during the last two calendar years:

Land acquisition is related to project ☐ Yes ☒ No
Purchase Price: $_____
Fair Market Value: $_____

The project involves the establishment of a new facility or a new category of service
☐ Yes ☒ No

If yes, provide the dollar amount of all **non-capitalized** operating start-up costs (including operating deficits) through the first full fiscal year when the project achieves or exceeds the target utilization specified in Part 1100.

Estimated start-up costs and operating deficit cost is $ _____.

Project Status and Completion Schedules

For facilities in which prior permits have been issued please provide the permit numbers.

Indicate the stage of the project's architectural drawings:

☐ None or not applicable ☒ Preliminary
☐ Schematics ☐ Final Working

Anticipated project completion date (refer to Part 1130.140): 03/31/2021

Indicate the following with respect to project expenditures or to financial commitments (refer to Part 1130.140):

☐ Purchase orders, leases or contracts pertaining to the project have been executed.
☐ Financial commitment is contingent upon permit issuance. Provide a copy of the contingent "certification of financial commitment" document, highlighting any language related to CON Contingencies
☒ Financial Commitment will occur after permit issuance.

APPEND DOCUMENTATION AS ATTACHMENT 8, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

State Agency Submittals [Section 1130.620(c)]

Are the following submittals up to date as applicable:
☒ Cancer Registry
☒ APORS
☒ All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted
☒ All reports regarding outstanding permits
Failure to be up to date with these requirements will result in the application for permit being deemed incomplete.

Cost Space Requirements

Provide in the following format, the **Departmental Gross Square Feet (DGSF)** or the **Building Gross Square Feet (BGSF)** and cost. The type of gross square footage either **DGSF** or **BGSF** must be identified. The sum of the department costs **MUST** equal the total estimated project costs. Indicate if any space is being reallocated for a different purpose. Include outside wall measurements plus the department's or area's portion of the surrounding circulation space. **Explain the use of any vacated space.**

		Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
Dept. / Area	**Cost**	**Existing**	**Proposed**	**New Const.**	**Modernized**	**As Is**	**Vacated Space**
REVIEWABLE							
Medical Surgical							
Intensive Care							
Diagnostic Radiology							
MRI							
Total Clinical							
NON REVIEWABLE							
Administrative							
Parking							
Gift Shop							
Total Non-clinical							
TOTAL							

APPEND DOCUMENTATION AS ATTACHMENT 9, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Facility Bed Capacity and Utilization

Complete the following chart, as applicable. Complete a separate chart for each facility that is a part of the project and insert the chart after this page. Provide the existing bed capacity and utilization data for the latest **Calendar Year for which data is available. Include observation days in the patient day totals for each bed service.** Any bed capacity discrepancy from the Inventory will result in the application being deemed **incomplete**.

FACILITY NAME: The University of Chicago Medical Center			**CITY:** Chicago		
REPORTING PERIOD DATES:		**From:**		**to:**	
Category of Service	**Authorized Beds**	**Admissions**	**Patient Days**	**Bed Changes**	**Proposed Beds**
Medical/Surgical	506	17,667	121,066	0	506
Obstetrics	46	2,656	6,030	0	46
Pediatrics	60	3,243	16,664	0	60
Intensive Care	146	5,667	33,219	0	146
Comprehensive Physical Rehabilitation					
Acute/Chronic Mental Illness					
Neonatal Intensive Care	53	872	14,851	0	53
General Long Term Care					
Specialized Long Term Care					
Long Term Acute Care					
Other ((identify)					
TOTALS:	811	31,105	191,830	0	811

CERTIFICATION

The Application must be signed by the authorized representatives of the applicant entity. Authorized representatives are:

- in the case of a corporation, any two of its officers or members of its Board of Directors;
- in the case of a limited liability company, any two of its managers or members (or the sole manager or member when two or more managers or members do not exist);
- in the case of a partnership, two of its general partners (or the sole general partner, when two or more general partners do not exist);
- in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- in the case of a sole proprietor, the individual that is the proprietor.

This Application is filed on the behalf of The University of Chicago Medical Center * **in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this Application on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the fee required for this application is sent herewith or will be paid upon request.**

SIGNATURE

Sharon O'Keefe
PRINTED NAME

President
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 7th day of August , 2018

Signature of Notary

Seal

"OFFICIAL SEAL"
CASSANDRA COLE
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES 8/3/2021

SIGNATURE

Jennifer Hill
PRINTED NAME

Secretary
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 7th day of August , 2018

Signature of Notary

Seal

"OFFICIAL SEAL"
CASSANDRA COLE
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES 8/3/2021

*Insert the EXACT legal name of the applicant

SECTION III. BACKGROUND, PURPOSE OF THE PROJECT, AND ALTERNATIVES - INFORMATION REQUIREMENTS

This Section is applicable to all projects except those that are solely for discontinuation with no project costs.

1110.110(a) – Background of the Applicant

READ THE REVIEW CRITERION and provide the following required information:

BACKGROUND OF APPLICANT

1. A listing of all health care facilities owned or operated by the applicant, including licensing, and certification if applicable.
2. A certified listing of any adverse action taken against any facility owned and/or operated by the applicant during the three years prior to the filing of the application.
3. Authorization permitting HFSRB and DPH access to any documents necessary to verify the information submitted, including, but not limited to official records of DPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. **Failure to provide such authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.**
4. If, during a given calendar year, an applicant submits more than one application for permit, the documentation provided with the prior applications may be utilized to fulfill the information requirements of this criterion. In such instances, the applicant shall attest that the information was previously provided, cite the project number of the prior application, and certify that no changes have occurred regarding the information that has been previously provided. The applicant is able to submit amendments to previously submitted information, as needed, to update and/or clarify data.

APPEND DOCUMENTATION AS ATTACHMENT 11, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-4) MUST BE IDENTIFIED IN ATTACHMENT 11.

Criterion 1110.110(b) & (d)

PURPOSE OF PROJECT

1. Document that the project will provide health services that improve the health care or well-being of the market area population to be served.
2. Define the planning area or market area, or other relevant area, per the applicant's definition.
3. Identify the existing problems or issues that need to be addressed as applicable and appropriate for the project.
4. Cite the sources of the documentation.
5. Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.
6. Provide goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals **as appropriate**.

For projects involving modernization, describe the conditions being upgraded, if any. For facility projects, include statements of the age and condition of the project site, as well as regulatory citations, if any. For equipment being replaced, include repair and maintenance records.

NOTE: Information regarding the "Purpose of the Project" will be included in the State Board Staff Report.

APPEND DOCUMENTATION AS ATTACHMENT 12, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-6) MUST BE IDENTIFIED IN ATTACHMENT 12.

ALTERNATIVES

1) Identify **ALL** of the alternatives to the proposed project:

Alternative options **must** include:

A) Proposing a project of greater or lesser scope and cost;

B) Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes;

C) Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project; and

D) Provide the reasons why the chosen alternative was selected.

2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of total costs, patient access, quality and financial benefits in both the short-term (within one to three years after project completion) and long-term. This may vary by project or situation. **FOR EVERY ALTERNATIVE IDENTIFIED, THE TOTAL PROJECT COST AND THE REASONS WHY THE ALTERNATIVE WAS REJECTED MUST BE PROVIDED.**

3) The applicant shall provide empirical evidence, including quantified outcome data that verifies improved quality of care, as available.

APPEND DOCUMENTATION AS ATTACHMENT 13, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION IV. PROJECT SCOPE, UTILIZATION, AND UNFINISHED/SHELL SPACE

Criterion 1110.120 - Project Scope, Utilization, and Unfinished/Shell Space

READ THE REVIEW CRITERION and provide the following information:

SIZE OF PROJECT:

1. Document that the amount of physical space proposed for the proposed project is necessary and not excessive. **This must be a narrative and it shall include the basis used for determining the space and the methodology applied.**

2. If the gross square footage exceeds the BGSF/DGSF standards in Appendix B, justify the discrepancy by documenting one of the following:

   a. Additional space is needed due to the scope of services provided, justified by clinical or operational needs, as supported by published data or studies and certified by the facility's Medical Director.

   b. The existing facility's physical configuration has constraints or impediments and requires an architectural design that delineates the constraints or impediments.

   c. The project involves the conversion of existing space that results in excess square footage.

   d. Additional space is mandated by governmental or certification agency requirements that were not in existence when Appendix B standards were adopted.

Provide a narrative for any discrepancies from the State Standard. A table must be provided in the following format with Attachment 14.

SIZE OF PROJECT				
DEPARTMENT/SERVICE	PROPOSED BGSF/DGSF	STATE STANDARD	DIFFERENCE	MET STANDARD?

APPEND DOCUMENTATION AS ATTACHMENT 14, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

PROJECT SERVICES UTILIZATION:

This criterion is applicable only to projects or portions of projects that involve services, functions or equipment for which HFSRB has established utilization standards or occupancy targets in 77 Ill. Adm. Code 1100.

Document that in the second year of operation, the annual utilization of the service or equipment shall meet or exceed the utilization standards specified in 1110.Appendix B. **A narrative of the rationale that supports the projections must be provided.**

A table must be provided in the following format with Attachment 15.

UTILIZATION					
	DEPT./ SERVICE	HISTORICAL UTILIZATION (PATIENT DAYS) (TREATMENTS) ETC.	PROJECTED UTILIZATION	STATE STANDARD	MEET STANDARD?
YEAR 1					
YEAR 2					

APPEND DOCUMENTATION AS ATTACHMENT 15, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

UNFINISHED OR SHELL SPACE:

Provide the following information:

1. Total gross square footage (GSF) of the proposed shell space.
2. The anticipated use of the shell space, specifying the proposed GSF to be allocated to each department, area or function.
3. Evidence that the shell space is being constructed due to:
   a. Requirements of governmental or certification agencies; or
   b. Experienced increases in the historical occupancy or utilization of those areas proposed to occupy the shell space.
4. Provide:
   a. Historical utilization for the area for the latest five-year period for which data is available; and
   b. Based upon the average annual percentage increase for that period, projections of future utilization of the area through the anticipated date when the shell space will be placed into operation.

APPEND DOCUMENTATION AS ATTACHMENT 16, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

ASSURANCES:

Submit the following:

1. Verification that the applicant will submit to HFSRB a CON application to develop and utilize the shell space, regardless of the capital thresholds in effect at the time or the categories of service involved.
2. The estimated date by which the subsequent CON application (to develop and utilize the subject shell space) will be submitted; and
3. The anticipated date when the shell space will be completed and placed into operation.

APPEND DOCUMENTATION AS ATTACHMENT 17, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

M. Criterion 1110.270 - Clinical Service Areas Other than Categories of Service

1. Applicants proposing to establish, expand and/or modernize Clinical Service Areas Other than categories of service must submit the following information:

2. Indicate changes by Service: Indicate # of key room changes by action(s):

Service	# Existing Key Rooms	# Proposed Key Rooms
☐		
☐		
☐		

3. READ the applicable review criteria outlined below and **submit the required documentation for the criteria:**

Project Type	Required Review Criteria
New Services or Facility or Equipment	(b) – Need Determination – Establishment
Service Modernization	(c)(1) – Deteriorated Facilities
	AND/OR
	(c)(2) – Necessary Expansion
	PLUS
	(c)(3)(A) – Utilization – Major Medical Equipment
	OR
	(c)(3)(B) – Utilization – Service or Facility
APPEND DOCUMENTATION AS ATTACHMENT 31, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.	

The following Sections DO NOT need to be addressed by the applicants or co-applicants responsible for funding or guaranteeing the funding of the project if the applicant has a bond rating of A- or better from Fitch's or Standard and Poor's rating agencies, or A3 or better from Moody's (the rating shall be affirmed within the latest 18-month period prior to the submittal of the application):

- **Section 1120.120 Availability of Funds – Review Criteria**
- **Section 1120.130 Financial Viability – Review Criteria**
- **Section 1120.140 Economic Feasibility – Review Criteria, subsection (a)**

VII. 1120.120 - AVAILABILITY OF FUNDS

The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources from the following sources, as applicable **[Indicate the dollar amount to be provided from the following sources]:**

_____	a)	Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to:
		1) the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and
		2) interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion;
_____	b)	Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated time table of gross receipts and related fundraising expenses, and a discussion of past fundraising experience.
_____	c)	Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;
_____	d)	Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including:
		1) For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated;
		2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate;
		3) For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.;
		4) For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment;
		5) For any option to lease, a copy of the option, including all

	terms and conditions.
_____	e) Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent;
_____	f) Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;
_____	g) All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
	TOTAL FUNDS AVAILABLE

APPEND DOCUMENTATION AS ATTACHMENT 34, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION VIII. 1120.130 - FINANCIAL VIABILITY

All the applicants and co-applicants shall be identified, specifying their roles in the project funding or guaranteeing the funding (sole responsibility or shared) and percentage of participation in that funding.

Financial Viability Waiver

The applicant is not required to submit financial viability ratios if:

1. "A" Bond rating or better
2. All of the projects capital expenditures are completely funded through internal sources
3. The applicant's current debt financing or projected debt financing is insured or anticipated to be insured by MBIA (Municipal Bond Insurance Association Inc.) or equivalent
4. The applicant provides a third party surety bond or performance bond letter of credit from an A rated guarantor.

See Section 1120.130 Financial Waiver for information to be provided

APPEND DOCUMENTATION AS ATTACHMENT 35, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

The applicant or co-applicant that is responsible for funding or guaranteeing funding of the project shall provide viability ratios for the latest three years for which **audited financial statements are available and for the first full fiscal year at target utilization, but no more than two years following project completion.** When the applicant's facility does not have facility specific financial statements and the facility is a member of a health care system that has combined or consolidated financial statements, the system's viability ratios shall be provided. If the health care system includes one or more hospitals, the system's viability ratios shall be evaluated for conformance with the applicable hospital standards.

	Historical 3 Years			Projected
Enter Historical and/or Projected Years:				
Current Ratio				
Net Margin Percentage				
Percent Debt to Total Capitalization				
Projected Debt Service Coverage				
Days Cash on Hand				
Cushion Ratio				

Provide the methodology and worksheets utilized in determining the ratios detailing the calculation and applicable line item amounts from the financial statements. Complete a separate table for each co-applicant and provide worksheets for each.

Variance

Applicants not in compliance with any of the viability ratios shall document that another organization, public or private, shall assume the legal responsibility to meet the debt obligations should the applicant default.

APPEND DOCUMENTATION AS ATTACHMENT 36, IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION IX. 1120.140 - ECONOMIC FEASIBILITY

This section is applicable to all projects subject to Part 1120.

A. Reasonableness of Financing Arrangements

The applicant shall document the reasonableness of financing arrangements by submitting a notarized statement signed by an authorized representative that attests to one of the following:

1) That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or

2) That the total estimated project costs and related costs will be funded in total or in part by borrowing because:

A) A portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; or

B) Borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

B. Conditions of Debt Financing

This criterion is applicable only to projects that involve debt financing. The applicant shall document that the conditions of debt financing are reasonable by submitting a notarized statement signed by an authorized representative that attests to the following, as applicable:

1) That the selected form of debt financing for the project will be at the lowest net cost available;

2) That the selected form of debt financing will not be at the lowest net cost available, but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors;

3) That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment.

C. Reasonableness of Project and Related Costs

Read the criterion and provide the following:

1. Identify each department or area impacted by the proposed project and provide a cost and square footage allocation for new construction and/or modernization using the following format (insert after this page).

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE									
Department (list below)	A	B	C	D	E	F	G	H	Total Cost (G + H)
	Cost/Square Foot New	Cost/Square Foot Mod.	Gross Sq. Ft. New	Gross Sq. Ft. Circ.*	Gross Sq. Ft. Mod.	Gross Sq. Ft. Circ.*	Const. $ (A x C)	Mod. $ (B x E)	
Contingency									
TOTALS									
* Include the percentage (%) of space for circulation									

D. Projected Operating Costs

The applicant shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years following project completion. Direct cost means the fully allocated costs of salaries, benefits and supplies for the service.

E. Total Effect of the Project on Capital Costs

The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

APPEND DOCUMENTATION AS ATTACHMENT 37, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION X. SAFETY NET IMPACT STATEMENT

SAFETY NET IMPACT STATEMENT that describes all of the following must be submitted for ALL SUBSTANTIVE PROJECTS AND PROJECTS TO DISCONTINUE STATE-OWNED HEALTH CARE FACILITIES [20 ILCS 3960/5.4]:

1. The project's material impact, if any, on essential safety net services in the community, to the extent that it is feasible for an applicant to have such knowledge.

2. The project's impact on the ability of another provider or health care system to cross-subsidize safety net services, if reasonably known to the applicant.

3. How the discontinuation of a facility or service might impact the remaining safety net providers in a given community, if reasonably known by the applicant.

Safety Net Impact Statements shall also include all of the following:

1. For the 3 fiscal years prior to the application, a certification describing the amount of charity care provided by the applicant. The amount calculated by hospital applicants shall be in accordance with the reporting requirements for charity care reporting in the Illinois Community Benefits Act. Non-hospital applicants shall report charity care, at cost, in accordance with an appropriate methodology specified by the Board.

2. For the 3 fiscal years prior to the application, a certification of the amount of care provided to Medicaid patients. Hospital and non-hospital applicants shall provide Medicaid information in a manner consistent with the information reported each year to the Illinois Department of Public Health regarding "Inpatients and Outpatients Served by Payor Source" and "Inpatient and Outpatient Net Revenue by Payor Source" as required by the Board under Section 13 of this Act and published in the Annual Hospital Profile.

3. Any information the applicant believes is directly relevant to safety net services, including information

regarding teaching, research, and any other service.

A table in the following format must be provided as part of Attachment 38.

Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	**Year**	**Year**	**Year**
Inpatient			
Outpatient			
Total			
Charity (cost In dollars)			
Inpatient			
Outpatient			
Total			
MEDICAID			
Medicaid (# of patients)	**Year**	**Year**	**Year**
Inpatient			
Outpatient			
Total			
Medicaid (revenue)			
Inpatient			
Outpatient			
Total			

APPEND DOCUMENTATION AS ATTACHMENT 38, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION XI. CHARITY CARE INFORMATION

Charity Care information MUST be furnished for ALL projects [1120.20(c)].

1. All applicants and co-applicants shall indicate the amount of charity care for the latest three **audited** fiscal years, the cost of charity care and the ratio of that charity care cost to net patient revenue.

2. If the applicant owns or operates one or more facilities, the reporting shall be for each individual facility located in Illinois. If charity care costs are reported on a consolidated basis, the applicant shall provide documentation as to the cost of charity care; the ratio of that charity care to the net patient revenue for the consolidated financial statement; the allocation of charity care costs; and the ratio of charity care cost to net patient revenue for the facility under review.

3. If the applicant is not an existing facility, it shall submit the facility's projected patient mix by payer source, anticipated charity care expense and projected ratio of charity care to net patient revenue by the end of its second year of operation.

Charity care" means care provided by a health care facility for which the provider does not expect to receive payment from the patient or a third-party payer (20 ILCS 3960/3). Charity Care must be provided at cost.

A table in the following format must be provided for all facilities as part of Attachment 39.

CHARITY CARE			
	Year	Year	Year
Net Patient Revenue			
Amount of Charity Care (charges)			
Cost of Charity Care			

APPEND DOCUMENTATION AS ATTACHMENT 39, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

After paginating the entire completed application indicate, in the chart below, the page numbers for the included attachments:

INDEX OF ATTACHMENTS

ATTACHMENT NO.		PAGES
1	Applicant Identification including Certificate of Good Standing	
2	Site Ownership	
3	Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.	
4	Organizational Relationships (Organizational Chart) Certificate of Good Standing Etc.	
5	Flood Plain Requirements	
6	Historic Preservation Act Requirements	
7	Project and Sources of Funds Itemization	
8	Financial Commitment Document if required	
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16	Unfinished or Shell Space	
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18	Master Design Project	
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29	Community-Based Residential Rehabilitation Center	
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31	Clinical Service Areas Other than Categories of Service	
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35	Financial Waiver	
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38	Safety Net Impact Statement	
39	Charity Care Information	

Section I, Type of Ownership of Applicant/Co-Applicant

Attachment 1

The University of Chicago Medical Center ("UCMC") is an Illinois not-for-profit corporation. A copy of UCMC's Good Standing Certificate dated July 30, 2018 is attached.

File Number 5439-757-7

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that

THE UNIVERSITY OF CHICAGO MEDICAL CENTER, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON OCTOBER 01, 1986, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 30TH *day of* JULY *A.D.* 2018 .

Authentication #: 1821101752 verifiable until 07/30/2019
Authenticate at: http://www.cyberdriveillinois.com

Jesse White

SECRETARY OF STATE

ATTACHMENT 1

Section I, Site Ownership

Attachment 2

Attached is a copy of the Letter of Intent between MCWS REC LLC ("Lessor") and the University of Chicago Medical Center ("Lessee"), dated as of April 24, 2018, which shows that UCMC has control of the site. The parties anticipate signing a definitive lease agreement, subject to Review Board approval of the Project, in the near future.

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Mid-America Real Estate Corporation
MidAmericaGrp.com
t: 630.954.7300

Tribune Tower, 435 N. Michigan Ave., Ste. 2009
Chicago, IL 60611

April 24, 2018

VIA EMAIL

Mr. Andrew Davidson
Mr. Jay Beadle
Mr. David Kimball
MB Real Estate
181 West Madison Street
Suite 4700
Chicago, IL 60602

Re: The University of Chicago Medical Center
The Retail at River East
355 East Grand Avenue
Chicago, IL

Dear Andrew, Jay and David:

Thank you for your interest in the available anchor space at The Retail at River East in Chicago, IL. We are pleased to present the following proposal to your client for the above referenced location on behalf of MCWS REC LLC c/o Madison Capital, a private investment firm with a portfolio in excess of $2 billion worth of urban mixed-use assets in New York, Chicago and Miami.

Tenant:	The University of Chicago Medical Center ("UCMC")
Use:	Tenant shall operate a prototypical University of Chicago Medical Center with services and amenities in a manner consistent with Tenant's existing facilities including but not limited to various medical specialties such as internal medicine, woman's health, cardiovascular health, rheumatology, and endocrinology. Tenant shall provide Landlord with a detailed use clause for review and discussion. Tenant shall be subject to the exclusive rights of existing tenants and all prohibited use restrictions for the Building, to be further defined in the Lease.
Building:	The retail component of the mixed-use building, commonly referred to as "The Retail at River East", in Chicago, IL and as shown on the floor plans attached hereto as Exhibit "A".
Premises:	The two-story existing LA Fitness retail space totaling approximately 42,677 rentable square feet including 5,625 and 955 rentable square feet on the first floor and an additional 36,097 rentable square feet on the second floor as shown on the LOD attached hereto as Exhibit "A-1" and with a present street address of 355 East Grand Avenue in Chicago, IL. The first floor is directly connected to a shared vestibule with elevators leading to the parking garage. These elevators also serve the second floor of the Premises as well.
Possession Date:	Possession Date subject to completion of required Landlord Work but is estimated to be 15 days prior to the point at which point UCMC will build out their Premises.
Lease Commencement:	September 1, 2019, provided Landlord has turned over Premises at least nine (9) months prior. ~~UCMC will require that the premises be turned over for buildout at least 12 months prior to lease commencement~~ (Landlord will use commercially reasonable efforts to deliver 12 months prior).

1

ATTACHMENT 2

Certificate of Need Contingency:	Upon lease execution, UCMC will apply for a Certificate of Need, which we expect to be ratified within 6 months. In the unlikely event, UCMC is not granted a CON to operate a facility within 355 E Grand, UCMC will have a right to terminate the lease.
Initial Lease Term:	15 years
Net Rental Rate:	$31.00 per square foot, net for the second floor and adjoining first floor space (36,097 + 955 RSF) $50.00 per square foot net for any other first floor space leased (currently 5,625 RSF)
Rent Escalations:	Two (2%) percent annual escalations beginning in Year 2.
Renewal Option:	Two (2), five (5)-year renewal option commencing on the expiration date of the immediately preceding Initial Lease Term. Tenant may exercise its option to extend the Term for its Renewal Option by providing written notice to Landlord no less than three hundred sixty-five (365) days prior to the expiration of the Initial Lease Term. Renewal Option shall be personal to Tenant. The Net Rental Rate for the Renewal Option shall be at the greater of a) one hundred two (102%) percent of the Tenant's expiring Net Rental Rate or b) ninety-five (95%) percent of Fair Market Rent, excluding all factors, to be further defined in the Lease.
Right to Cancel:	Upon 12 month's prior written notice, UCMC will have the right to cancel at the end of the 12th lease year. The right to cancel penalty will be equal to the unamortized balance of landlord's actual out of pocket costs based on annualized interest rate of 7%. Landlord and Tenant to include illustrative calculation in the Lease document.
Real Estate Taxes and Operating Expenses:	Tenant to pay their proportionate share of Real Estate Taxes and Operating Expenses, estimated at $13.50 per square foot for 2017 after reimbursement from other unit owner's tax and operating expense exclusions will be further defined in the lease, but will be in accordance with normal market place exclusions associated with a typical office lease, such as capital costs, depreciation, taxes, etc.
Rent Commencement:	(15 Year Term): Tenant's obligation to pay rent shall commence March 1, 2020, provided landlord has turned over the premises 9 months prior to the September 1, 2019 lease commencement date. Further, should Tenant complete its improvements and testing prior to September 1, 2019, Landlord will provide Beneficial Occupancy at no cost to Tenant.
Tenant Improvement Allowance:	(15 Year Term): In addition to Landlord's Work stated herein, Landlord shall provide a Tenant Allowance equal to ninety Five ($95.00) per square foot towards the cost of Tenant's Improvements to the Premises Upon submission of appropriate lien waivers, Tenant allowance shall be payable to tenant's general contractor or directly reimbursed to tenant within 30 days of submission. In the event Tenant does not use the entire Tenant Improvement Allowance from Landlord, any excess dollars may be applied towards upfront rent abatement and/or used at Tenant's discretion to cover any costs associated with the move.
Landlord's Work:	Landlord shall deliver the Premises demolished and in broom clean shell condition including the pool filled in and the mezzanine removed if desired by Tenant.

~~Landlord shall also: a. demise the second floor as described in exhibit A-1 attached hereto or as otherwise agreed by the parties including the utility separation and installation of a new electric panel b. create a new lobby mid-block on Grand Avenue (core and shell only)~~ with elevator allowance of $100,000.

Furthermore, and based upon our inspection of the existing units, Landlord shall refurbish each air handling unit (4 units total) as follows:

- Clean coils inside and out.
- Clean filter box, replace filters
- Clean fan and fan box
- Re-sheave existing fan and replace fan motor and add Variable Frequency Drive for Variable Air Volume Control
- Add dampers on the out-side air-intake and return ducts
- Upgrade controls and replace actuators and/or control valves on coils.

Other Base building items to be completed by landlord:

- Fill in Pool and Jacuzzi
- Remove all Pool and Jacuzzi Infrastructure
- Remove Mezzanine, stairs, chairlift, etc

Patch any major floor indentations.

Tenant's Work:

Tenant shall construct a medical facility in accordance with its standard prototype and a first-class standard build out operation of Tenant's business ("Tenant's Work"). In addition, Tenant shall be responsible for the payment of any impact fees, hook-up/tap fees (if any) and permits which are specifically applicable to and occasioned by Tenant's Work and/or use and occupancy of the Premises. Plans and specifications for Tenant's Work are subject to Landlord's prior written approval, which shall not be unreasonably withheld, conditioned or delayed.

Tenant shall have the right to competitively bid (under closed seal) the construction of their Premises for Tenant's Work to approved outside contractors. In no event shall Tenant be charged a Landlord coordination or supervision fee by ownership. However, Tenant shall be responsible for reasonable out of pocket expenses for review of Tenant's plans.

Lease Security:

Please provide legal entity; Landlord's approval of Guarantor's financials will be required. Tenant's obligations under the Lease, including completion of the Tenant's Work, are to be guaranteed by a Guarantor with credit (including net worth and liquidity) acceptable to Landlord in its discretion.

Assignment and Subletting:

Tenant shall have the right to assign the lease in its entirety or to sublease all or any portion of the Premises with the consent of Landlord, which consent shall not be unreasonably withheld or delayed. Landlord's consent for any sublease will be provided within ten (10) business days of notice. In any event, Tenant shall remain liable for their obligations of the lease for the initial Lease Term and the Renewal Option, if exercised. Landlord consent shall not be required for Tenant's Related Entities, subject to a typical net worth standard and other provisions to be defined in Lease

Relocation or Substitution Clause:

Landlord will not have the right to relocate or substitute the Premises.

Expansion Option(s):

ROFO

If Tenant expands within the ~~ROFR~~ provisions as described below prior to the 36th month of the lease term, the rate for the Expansion Space will be at Tenant's currently escalated rate for the corresponding floor on which the Expansion Space is located with

a pro rata portion of the original construction allowance and free rent based on remaining lease term. Language to be agreed upon in the Lease. Tenant shall have a continuous Right of First ~~Refusal~~ throughout the lease term ~~("ROFR")~~ on any of the ~~contiguous~~ retail space on the first floor below UCMC's space ~~currently vacant~~ (subject to the existing lease and any renewals, expansions, or extensions thereof in the event the space becomes vacant. The Right of First ~~Refusal~~ shall be based on market conditions and shall be in effect from the day of lease signing throughout the Initial Lease Term and the Renewal Option. See attached plan.

If the ~~ROFR~~ is exercised, during the first 36 months of the lease term, the rate for the expansion space will be done at UCMC's currently escalated rate for the corresponding floor on which the ~~ROFR~~ space is located with a pro rata portion of the original construction allowance and free rent based on remaining lease term.

Exclusivity:	Upon lease signing, Landlord will agree that no major competitor to UCMC will be allowed, without UCMC's approval, to lease any space within the complex subject to a mutually agreed list.
Signage:	Tenant, at Tenant's sole cost and expense, shall have the right to the maximum allowable signage by the City of Chicago local governmental agency, and any necessary neighborhood groups and according to Landlord's sign criteria (we need more detail as to what criteria you are referencing), which shall be provided. Tenant's signage package, to be mutually agreed upon between Tenant and Landlord, shall be attached as an exhibit to the Lease. A conceptual signage package is attached hereto as Exhibit "B". In addition to what is depicted in Exhibit "B", Tenant will also be permitted to install signage in the interior of the windows fronting on Illinois Street and/or McClurg Street sides of the complex where such windows are part of the Premises
Security:	The building is secured by security guards and a camera system. Ownership will be making upgrades to the camera technologies in accordance with current trends. Please specify the upgrades that will be done to the building. Ownership will be installing a new state of the art camera system, adding 34 IP cameras to the exterior of the Building with remote access (by smartphone as well), motion sensing technology and cloud backup data storage. This will enable security to "be in all places at once" as a live person will monitor the cameras for suspicious activity at all times.
Parking:	1164 space onsite parking garage available. Preferred parking rates with validation available to Tenant and its clients up to 2 hours at 50% of posted parking rates subject to the REA, to be further defined. Landlord will assist Tenant in working with the Garage Owner to secure 50 dedicated visitor parking spaces in the Garage at Tenant's expense as well install wayfinding signs similar to the examples provided by LAZ Parking on 4/2/2018 (see attached). Landlord will work with Tenant to secure a patient pick up and drop off zone if necessary.
Storage:	Storage space can be made available to Tenant at a rate of fifteen ($15.00) dollars gross per square foot. Please advise as to Tenant's requirements.
Non-Disturbance Agreement:	Landlord shall provide Tenant with a mutually-agreeable non-disturbance agreement from all lenders and ground lessors.
Interruption of Services:	In the event services are interrupted for three (3) consecutive days due to circumstances within Landlord's reasonable control, Tenant's rent shall abate from

	the sixth (6th) day through the time services are restored, to be further defined in the Lease.
Back Up Generator:	Please confirm that Tenant will have the ability to install a back-up generator if it so chooses. The backup generator can be installed in Tenant's space or another mutually agreeable location to be agreed upon after lease.
Utilities:	Tenant shall be responsible for direct payment of its own utility consumption throughout the entire Lease Term. Note: Electricity is separately metered, and chilled water for HVAC service shall be supplied by the Hotel Unit.
Maintenance and Janitorial:	Landlord shall be responsible for maintaining the foundation, and structural portion of the Building. The costs of maintenance and repair of the Building shall be included in CAM. The Tenant shall maintain, repair and replace, when necessary, its demised Premises, storefront, signage and all utility services and lines exclusively serving the Premises or up to the point of connection in the Premises during the entire term of the Lease, including repair and replacement of the HVAC system. Common areas shall be cleaned by the building cleaning contractor.
Building Amenities:	In addition to the 250,000 square feet of commercial space in the subject property, the Building includes an 18-story, 455-room Embassy Suites Hotel, 58-story condominium tower and 1,200 car garage. Bright Horizons is a tenant in the Building which offers day care services. In addition, there are two (2) full-service restaurants within the Building, Niu Sushi and Bellwether as well as BMO Harris Bank and Walgreens. The Building is ideally located 2 blocks from Michigan Avenue with convenient access to the amenities of the Streeterville neighborhood, Lake Shore Drive and Chicago's famous lakefront.
Public Transportation:	The Building benefits from several CTA bus routes servicing the Streeterville community and is five (5) blocks from the CTA Red Line El Station at Grand Avenue and State Street.
Hazardous Material:	To the best of Landlord's knowledge, there are no known hazardous materials on site. Any hazardous materials not caused by Tenant shall be removed promptly by Landlord, if discovered. To be further defined in the Lease.
Property Management:	Currently Landlord employs a third party management firm who stations a building manager onsite.
Lease Form:	Landlord and Tenant agree to use Landlord's Standard Lease Form.
Confidentiality:	Landlord, Tenant and their representatives acknowledge that the terms of this proposal are confidential and are related to matters solely between the parties, and that this proposal and its terms and conditions have only been, and will only be divulged to the parties' attorneys and others with a genuine need to know to complete this contemplated transaction.
Broker:	Landlord shall be responsible for payment of a market commission to MB Real Estate Services Inc and Mid-America Real Estate Corporation / Newmark Midwest Region (collectively the "Brokers"). Such commission is to be memorialized in a separate agreement between Landlord and Brokers.
Other Provisions:	This document is not intended as, and does not constitute, a binding agreement by any party, nor an agreement by any party to enter into or negotiate a binding agreement, but is merely intended to be a preliminary outline of some of the proposed terms and conditions of a possible transaction, which may be subject to further negotiation. Neither party will be in any way bound by this document, nor be bound by any communications or discussions relating to the subject matter of this document. Only the mutual execution and delivery of a written agreement will bind

the parties. Such agreement will supersede the terms of this letter and any communications or discussions with respect thereto. Each party will be free to pursue its own objectives in any negotiations, to discontinue negotiations at any time, to negotiate with third parties, and to accept, reject or withdraw any proposal. All implied covenants (including, without limitation, covenants of good faith and fair dealing) are waived.

Please review this information and contact us with any questions. We look forward to your response.

Sincerely,
Newmark Knight Frank, As Agent for Landlord

Matthew Ward
Senior Managing Director

AGREED AND ACCEPTED FOR LANDLORD:

Landlord: MCWS REC LLC Date: 4/24/18

By:

Its: MD Asset Manager.

AGREED AND ACCEPTED FOR TENANT:

Tenant: University of Chicago Medical Center Date: 4/23/18

By:

Its: PRESIDENT

Exhibits:
Exhibit "A" – The Building
Exhibit "B" – Conceptual Rendering
Exhibit "C" – New dedicated entrance conceptual rendering

Cc: Paul Bryant, Mid-America Real Estate Corporation
Andrew Becker, Mid-America Real Estate Corporation
Lara Keene, Mid-America Real Estate Corporation
Melissa Hemberger, Newmark Knight Frank
Jill Grabel Kirby, Madison Capital

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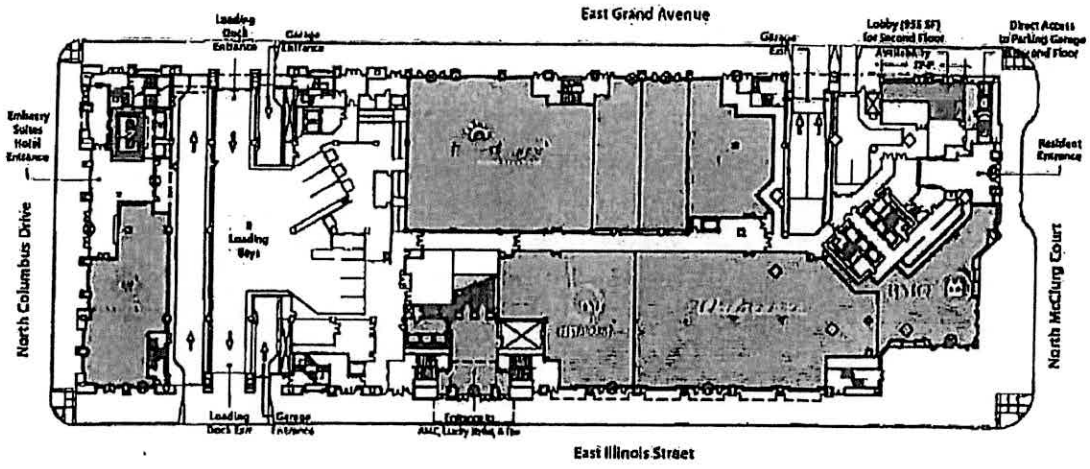
MidAmericaGrp.com
t: 630.954.7300

Tribune Tower, 435 N. Michigan Ave., Ste. 2009
Chicago, IL 60611

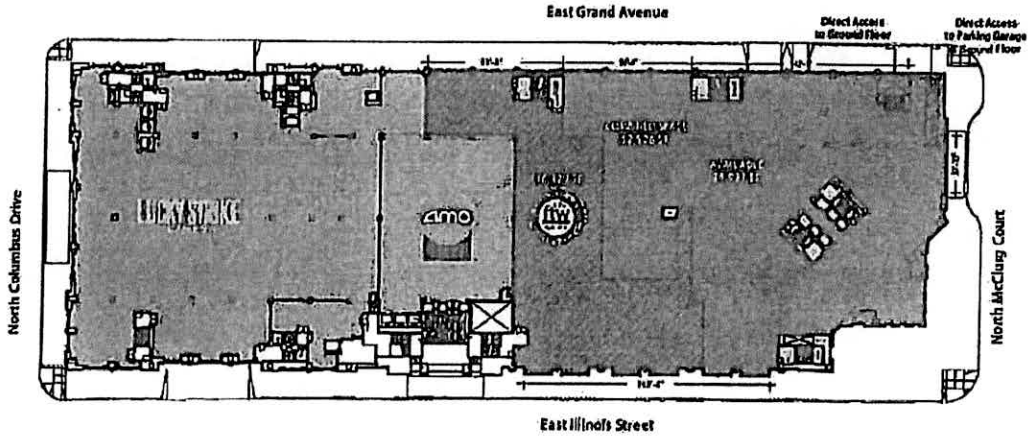
EXHIBIT A

BUILDING

First Floor



Second Floor



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ATTACHMENT 2

MID-AMERICA®

Mid-America Real Estate Corporation
MidAmericaGrp.com
t: 630.954.7300

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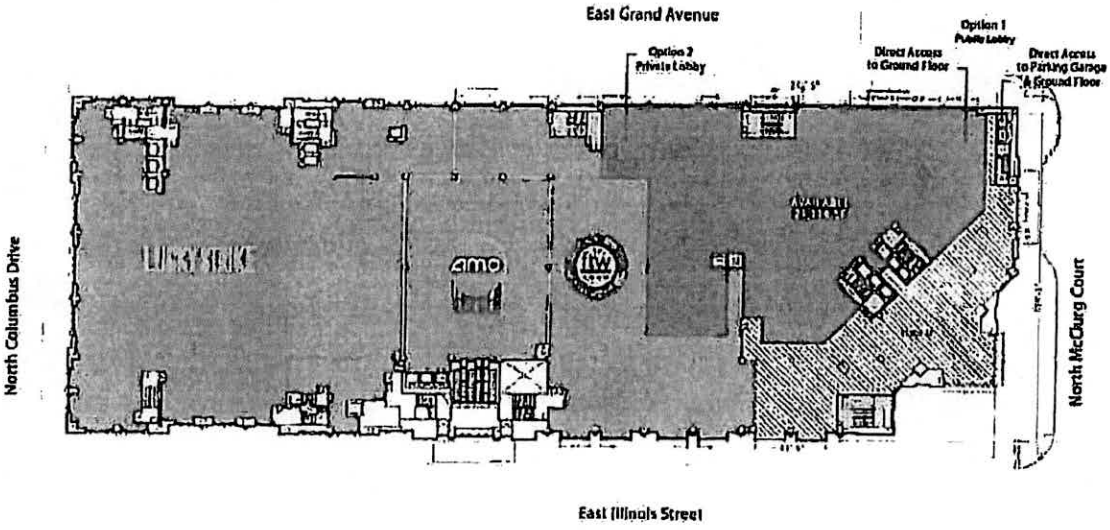
Chicago, IL 60611



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ATTACHMENT 2

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t: 630.954.7300

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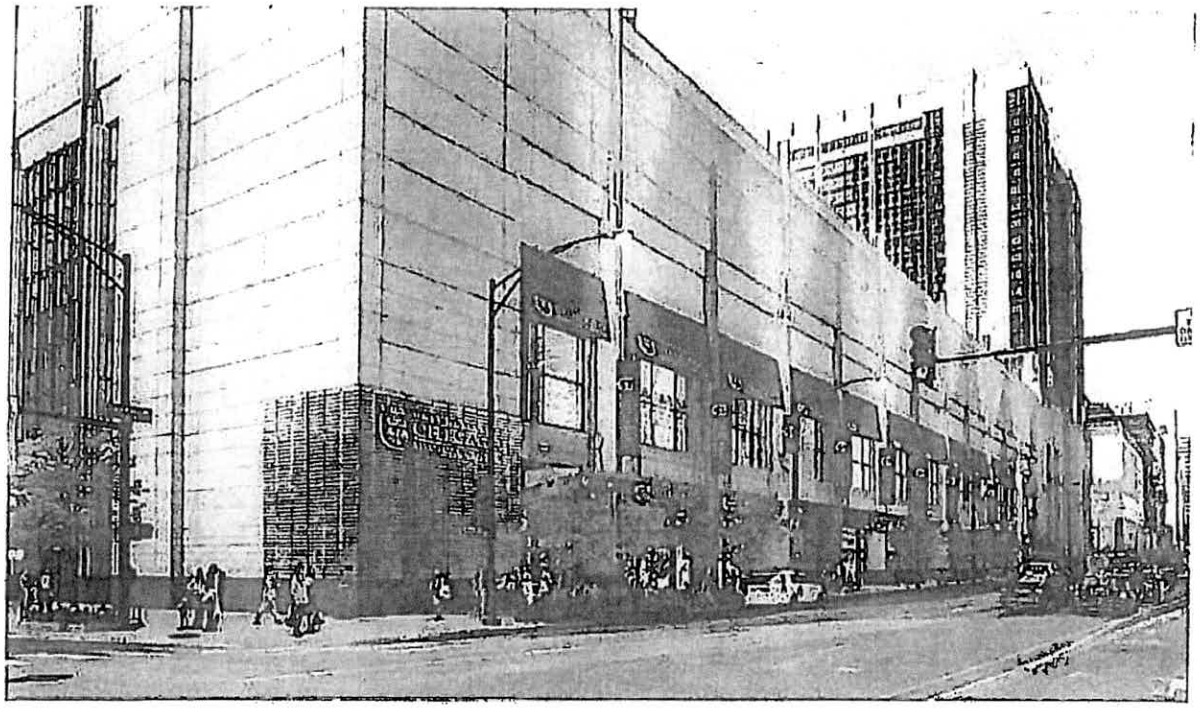
Chicago, IL 60611

EXHIBIT B

CONCEPTUAL RENDERING



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t: 630.954.7300

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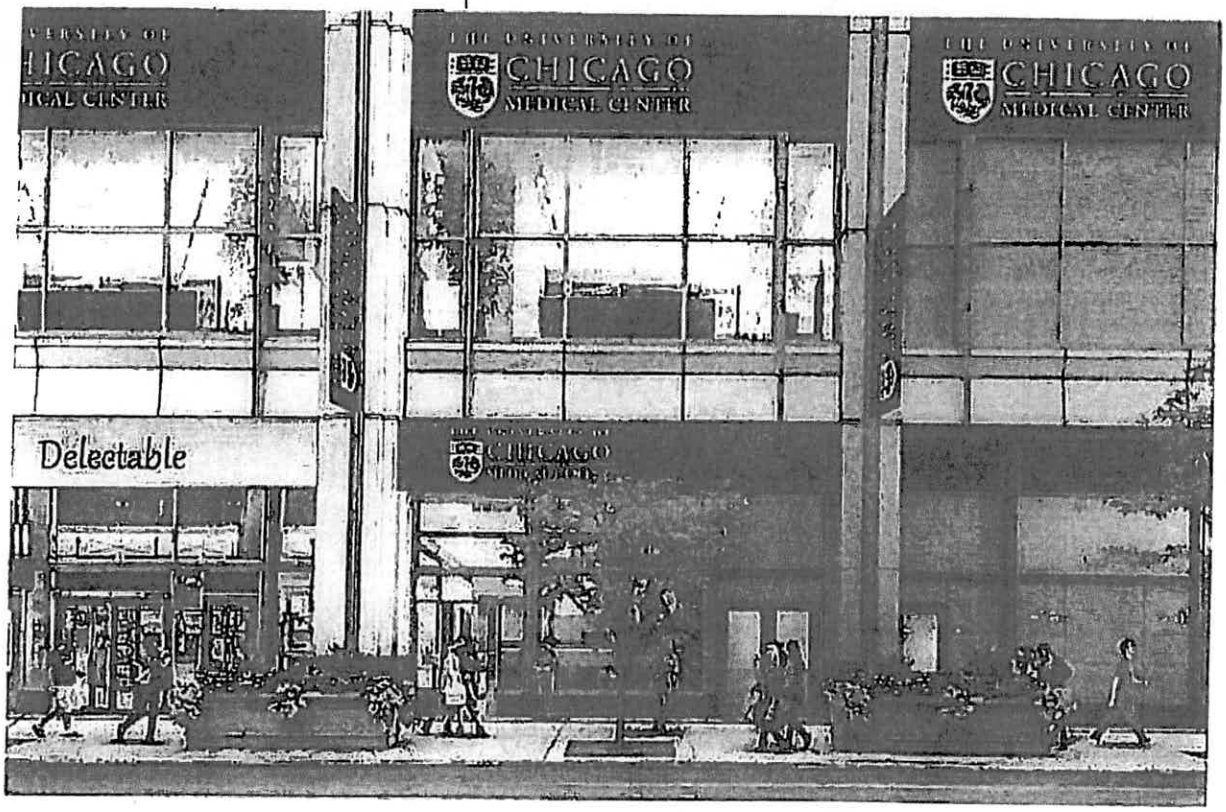
Chicago, IL 60611

Exhibit C

Revised Dedicated Entrance Conceptual Rendering



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Section I, Operating Identity/Licensee

Attachment 3

The University of Chicago Medical Center ("UCMC") is an Illinois not-for-profit corporation. A copy of UCMC's Good Standing Certificate dated July 30, 2018 is attached.

File Number 5439-757-7

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that

THE UNIVERSITY OF CHICAGO MEDICAL CENTER, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON OCTOBER 01, 1986, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 30TH *day of* JULY *A.D.* 2018 .

Authentication #: 1821101752 verifiable until 07/30/2019
Authenticate at: http://www.cyberdriveillinois.com

Jesse White

SECRETARY OF STATE

ATTACHMENT 3

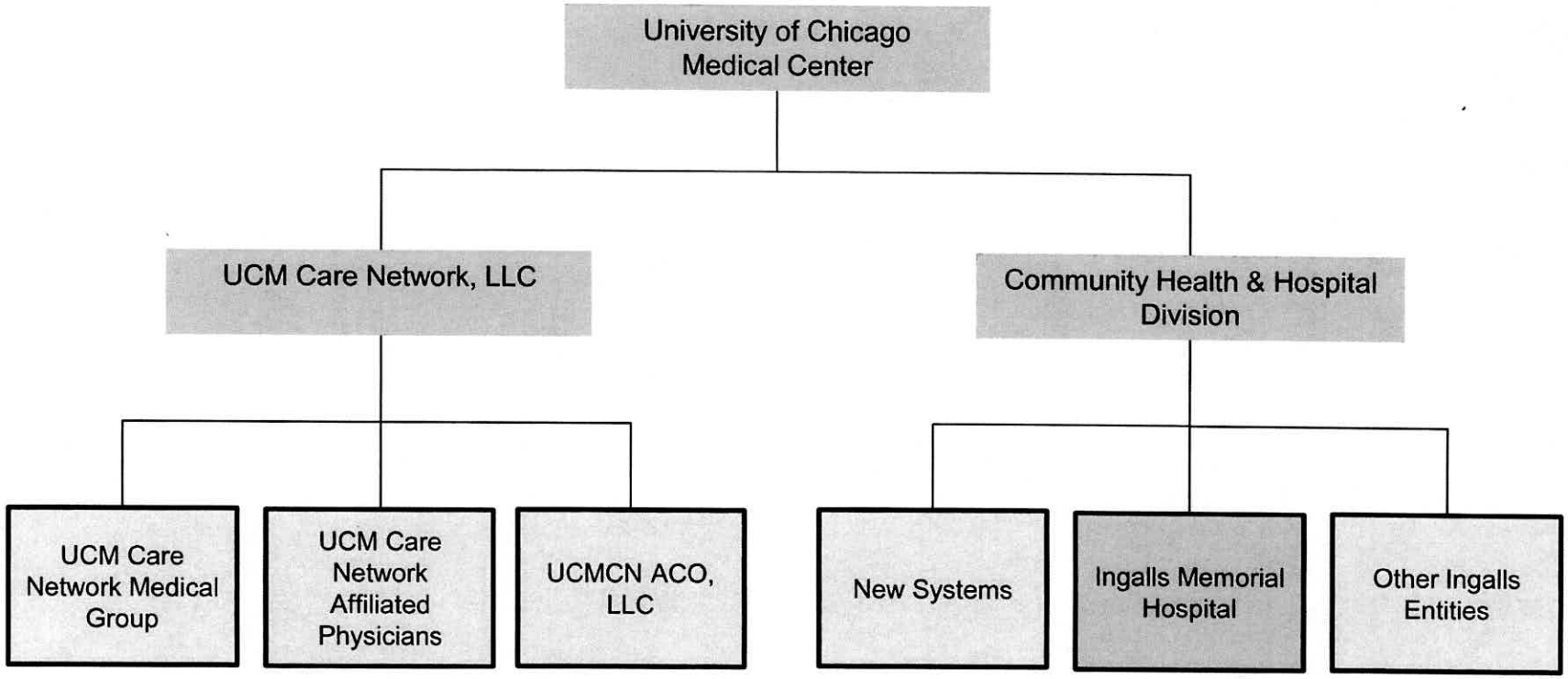
Section I, Organizational Relationships

Attachment 4

A copy of UCMC's organizational chart is attached.

ATTACHMENT 4

System Structure



AT THE FOREFRONT
UChicago Medicine

Section I, Flood Plain Requirement

Attachment 5

A letter attesting to the fact that the site of the Project is not located in a flood plain and that the Project complies with the Flood Plain Rules under Illinois Executive Order #2005-5 is attached.

THE UNIVERSITY OF CHICAGO MEDICINE

Sharon O'Keefe
President

MC 1000 S-115
5841 South Maryland Avenue
Chicago, Illinois 60637-1470
phone (773) 702-8908
fax (773) 702-1897
sharon.okeefe@uchospitals.edu

June 15, 2018

Ms. Courtney R. Avery
Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, IL. 62761

Re: Flood Plain Requirements

Dear Ms. Avery:

We hereby attest that our proposed project complies with the requirements of Illinois Executive Order #2006-5 pertaining to construction activities in special flood hazard areas. The accompanying map from www.FEMA.gov indicates that the site of our project is judged "Area of Minimal Flood Hazard".

Sincerely,

The University of Chicago Medical Center

Sharon O'Keefe
President

Encl.

Notarization:

Subscribed and sworn to before me
this 15th day of June, 2018

Notary Public

"OFFICIAL SEAL"
CASSANDRA COLE
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES 8/3/2021

National Flood Hazard Layer FIRMette

FEMA

Legend

SEE FIS REPORT FOR DETAILED LEGEND AND INDEX MAP FOR FIRM PANEL LAYOUT

SPECIAL FLOOD HAZARD AREAS	Without Base Flood Elevation (BFE) *Zone A, V, A99*
	With BFE or Depth
	Regulatory Floodway *Zone AE, AO, AH, VE, AR*
OTHER AREAS OF FLOOD HAZARD	0.2% Annual Chance Flood Hazard, Area of 1% annual chance flood with average depth less than one foot or with drainage areas of less than one square mile *Zone X*
	Future Conditions 1% Annual Chance Flood Hazard *Zone X*
	Area with Reduced Flood Risk due to Levee. See Notes. *Zone X*
	Area with Flood Risk due to Levee *Zone D*
OTHER AREAS	NO SCREEN Area of Minimal Flood Hazard *Zone X*
	Effective LOMRs
	Area of Undetermined Flood Hazard *Zone*
GENERAL STRUCTURES	Channel, Culvert, or Storm Sewer
	Levee, Dike, or Floodwall
OTHER FEATURES	20.2 Cross Sections with 1% Annual Chance
	17.5 Water Surface Elevation
	Coastal Transect
	513 Base Flood Elevation Line (BFE)
	Limit of Study
	Jurisdiction Boundary
	Coastal Transect Baseline
	Profile Baseline
	Hydrographic Feature
MAP PANELS	Digital Data Available
	No Digital Data Available
	Unmapped

N

This map complies with FEMA's standards for the use of digital flood maps if it is not void as described below. The base map shown complies with FEMA's base map accuracy standards

The flood hazard information is derived directly from the authoritative NFHL web services provided by FEMA. This map was exported on 6/13/2018 at 3:51:06 PM and does not reflect changes or amendments subsequent to this date and time. The NFHL and effective information may change or become superseded by new data over time.

This map image is void if the one or more of the following map elements do not appear: base map imagery, flood zone labels, legend, scale bar, map creation date, community identifiers, FIRM panel number, and FIRM effective date. Map images for unmapped and unmodernized areas cannot be used for regulatory purposes.

ATTACHMENT 5

Section I, Historic Resources Preservation Act Requirements

Attachment 6

Attached is a letter from the Illinois Department of Natural Resources dated July 12, 2018 noting that no historic, architectural or archaeological sites exists within the Project area.

THE UNIVERSITY OF CHICAGO MEDICINE

AT THE FOREFRONT OF MEDICINE

Capital Budget and Control

June 13, 2018

Rachel Leibowitz, PhD
Deputy State Historic Preservation Officer
Illinois Department of Natural Resources
Illinois State Historic Preservation Office
Attention: Review and Compliance / Old State Capitol
1 Natural Resources Way
Springfield, Il. 62702

In Re: Planned Construction Project – Outpatient Medical Clinic

Dear Ms. Leibowitz:

Pursuant to requirements of the Illinois Health Facilities and Services Review Board (IHFSRB), we wish to inform you of our plans to construct and equip an outpatient medical clinic. The location is 355 East Grand Avenue, Chicago, Il 60611. It will be housed in an existing building, constructed in 2001. The clinic will include a variety of services and will occupy 37,000 square feet of space on the first and second floors.

We have enclosed a scanned copy of a map showing the location. We also enclose a scan of a photograph as well as the jpeg file of the photograph of the building in question.

Please let us know if we can provide further information about our project. I can be reached at (773) 702-1246.

Sincerely,

John R. Beberman

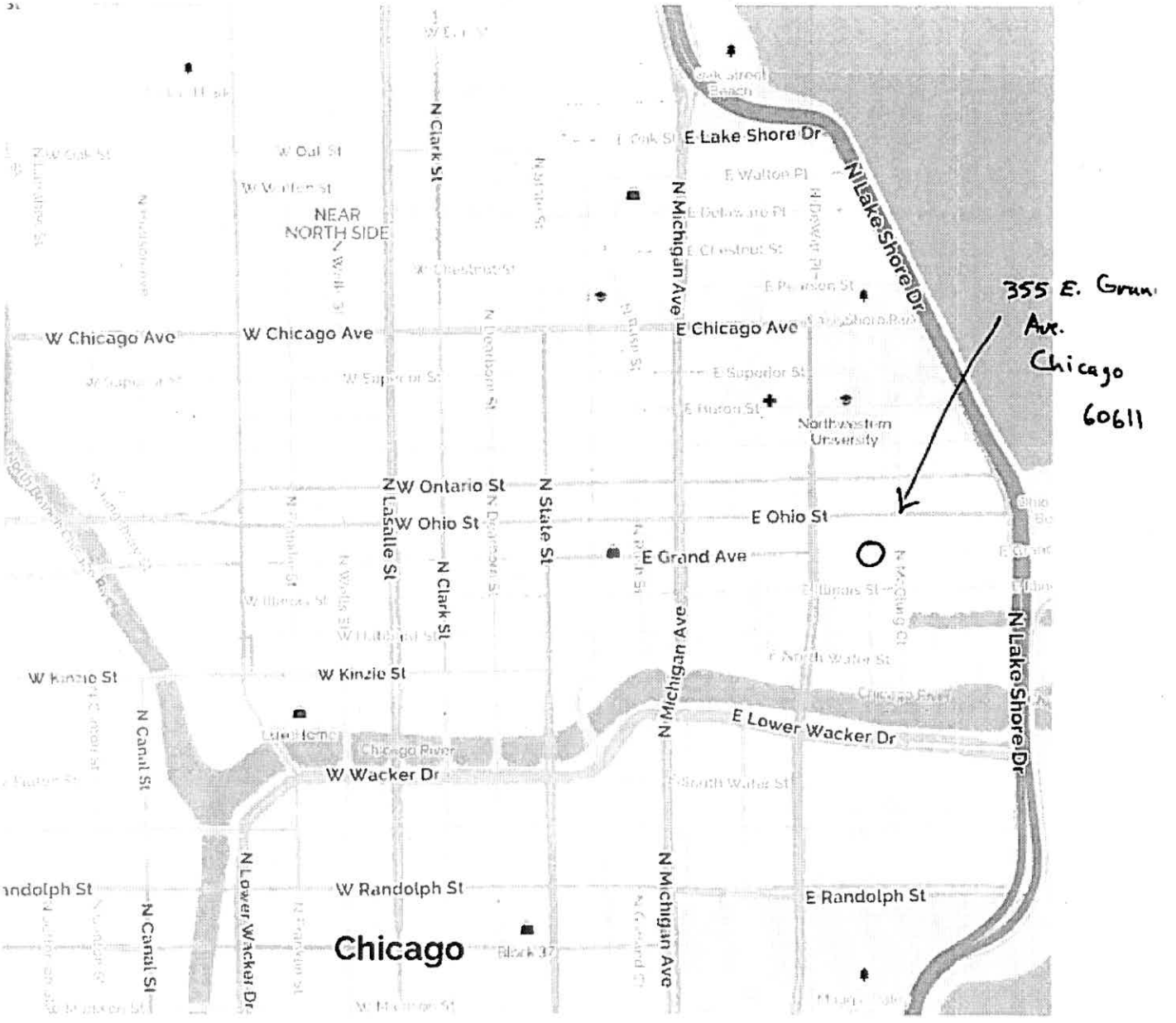
John R. Beberman
Executive Director, Capital Budget & Control

uchospitals.edu 850 East 58th Street | MC 0953, Room AS 430 | Chicago, IL 60637-1459 tel | 773-702-1246 fax | 773-702-8148

ATTACHMENT 6

mapquest

355 East Grand Avenue, Chicago, IL 60611



355 East Grand Ave. Chicago IL. 60611

Section I, Project Costs and Source of Funds

Attachment 7

Section 1120.110, Project Costs and Sources of Funds

Project Costs and Sources of Funds			
USE OF FUNDS	**REVIEWABLE**	**NONREVIEWABLE**	**TOTAL**
Preplanning Costs			
Site Survey and Soil Investigation			
Site Preparation			
Off Site Work			
New Construction Contracts	$1,916,423	$8,103,917	$10,020,340
Modernization Contracts			
Contingencies	191,642	810,392	1,002,034
Architectural/Engineering Fees	158,105	668,573	826,678
Consulting and Other Fees	66,147	279,716	345,863
Movable and Other Equipment (not in construction contracts)	3,116,349	1,867,997	4,984,346
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)			
Fair Market Value of Leased Space or Equipment	1,813,696	7,669,522	9,483,218
Other Costs to be Capitalized	828,845	1,784,445	2,613,290
Acquisition of Building or Other property (excluding land)			
TOTAL USES OF FUNDS	$8,091,208	$21,184,562	$29,275,770
SOURCE OF FUNDS			**TOTAL**
Cash and Securities	$6,277,511	$13,515,040	$19,792,552
Pledges			
Gifts and Bequests			
Bond Issue (project related)			
Mortgages			
Leases (fair market value)	1,813,696	7,669,522	9,483,218
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOUCES OF FUNDS	$8,091,208	$21,184,562	$29,275,770
NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT-7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.			

			Total	Reviewable	Non-Reviewable
New Construction					
	Imaging, Sleep, Labs, Infusion	$1,608,505		$1,608,505	
	Physician Offices	3,063,902			$3,063,902
	Public Space	1,465,114			1,465,114
	Staff Support	1,598,554			1,598,554
	Building Systems	674,265			674,265
	General Conditions	1,610,000		307,918	1,302,082
			10,020,340	1,916,423	8,103,917
Contingencies			1,002,034	191,642	810,392
Architectural/Engineering Fees			826,678	158,105	668,573
Consulting and Other Fees					
	Legal	40,000			
	Test and Balance	30,000			
	Commissioning	50,000			
	Equipment Planner	18,000			
	CON Consultant	32,000			
	CON Fee	64,363			
	LEAN Planning	80,000			
	City Permit Fees	17,500			
	IDPH Review Fees	14,000			
			345,863	66,147	279,716
Movable and Other Equipment					
	Imaging	2,772,562			
	Sleep Studies	198,435			
	Laboratory	110,433			
	Infusion Therapy	34,919			
	Physician Offices	1,311,934			
	Public	175,000			
	Staff/Support	381,063			
			4,984,346	3,116,349	1,867,997
Fair Market Value of Leased Space or Equipment			9,483,218	1,813,696	7,669,522
Other Costs to be Capitalized					
	Environmental Services	50,000			

ATTACHMENT 7

	Movers, Storage	150,000			
	Cubicle Curtains	35,000			
	Window Treatments	100,000			
	Physical Security, Locks, Etc.	40,000			
	IT/Telecom Systems	1,388,290			
	Security Systems	215,000			
	Signage	110,000			
	Art Work	20,000			
	Capitalized Staff Salaries	505,000			
			2,613,290	828,845	1,784,445
Total Costs			$29,275,770	$8,091,208	$21,184,562

			Quantity	Cost
Multi-Specialty Clinic (IM, Cardiol., Endocrin, GI)				
	Imaging - Major			
		Ultrasound, Imaging, Cardiac / Echo	1	236,197
	Other High Value Equipment			
		Monitor, Physiologic, Vital Signs, w/Stand	4	13,788
		Stress Test System, General	1	23,674
		Table, Imaging, Ultrasound	1	12,350
		Treadmill, Stress Testing	1	6,188
		Table, Exam/Treatment, Powered, Bariatric	16	115,945
		Pump, Infusion, Single (2 backup)	4	14,740
		Monitor, Physiologic, Vital Signs, w/Stand	1	6,490
		Diagnostic System, Integrated	16	17,229
		Cart, Procedure, General	4	11,849
		Cabinet, Warming, Dual, Freestanding	1	7,400
	Small Equipment			31,887
Sleep Clinic				
	Other High Value Equipment			
		Amplifier, EEG	4	26,400
		CPAP Unit, Automatic (APAP)	4	9,759
		Electroencephalograph (EEG), Polysomnograph	4	91,648
		Table, Exam/Treatment, Powered	4	47,612
	Small Equipment			2,836

ATTACHMENT 7

Immediate Care				
	Imaging - Major			
		X-Ray Unit, General Radiography, Digital	1	339,651
	Other High Value Equipment			
		Diagnostic System, Integrated	6	6,461
		Table, Exam/Treatment, Manual Adjust, Electr.	6	7,327
		Analyzer, Lab, Blood Gas, Point-of-Care	1	6,050
		Water Treatment System, RO, Floor	1	23,314
		Dispenser, Medication, Host (Main)	1	58,762
		Monitor, Physiologic, Vital Signs, w/Stand	1	6,917
	Small Equipment			43,158
Mammography				
	Imaging - Major			
		X-Ray Unit, Mammography, Digital	1	588,356
		Biopsy System, Breast, Stereotactic, Prone	1	440,000
		Biopsy System, Breast, Stereotactic, Upright	1	350,000
		Ultrasound, Imaging, Multipurpose	1	182,036
	Other High Value Equipment			
		Biopsy System, Breast, Vacuum Assisted	1	60,500
		Densitometer, Bone, Whole Body	1	103,400
		X-Ray Unit, Specimen Rad. Biopsy	1	69,300
		Monitor, Physiologic, Vital Signs, w/Stand	2	6,894
		Computer Workstation, Data Mgt, Imaging	4	84,480
		Workstation, Viewing, PACS	4	42,263
		Cabinet, Warming, Dual, Freestanding	2	22,000
		Chair, Clinical, Exam, EENT	2	12,001
		Table, Imaging, Ultrasound	2	9,602
	Small Equipment			33,761
OB/Gyn				
	Imaging - Major			
		Ultrasound, Imaging, OB/GYN	1	149,911
	Other High Value Equipment			
		Monitor, Physiologic, Vital Signs, w/Stand	4	13,788
		Diagnostic System, Integrated	10	10,768
		Doppler, Fetal Heart, Electric	10	11,009
		Scale, Clinical, Adult, Digital, Floor	10	32,395
		Stool, Exam, w/Backrest	10	5,727
		Table, Exam/Treatment, Powered	10	55,286
		Ablation System, Uterine	2	51,700
		Video cystoscope	2	35,343

ATTACHMENT 7

		Cart, Procedure, Endoscopy	2	10,900
		Colposcope, General	2	16,467
		Electrosurgical Unit, Bipolar/Monopolar	2	86,392
		Light Source, Xenon	2	29,621
		Light, Exam, Single, Mobile, Articulating Arm	2	7,637
		Monitor, Video, 26 - 32 inch, Medical Grade	2	16,553
		Table, Exam/Treatment, Powered	2	23,806
		Video System, Endoscopic	2	51,498
		Sterilizer, Countertop	1	7,801
		Table, Exam/Treatment, Powered	1	5,529
		Washer/Disinfector, Transducer, Wall Mount	1	7,044
		Procedure Room Instruments		110,000
	Small Equipment			35,836
Primary Care				
	Imaging - Major			0
	Other High Value Equipment			
		Monitor, Physiologic, Vital Signs, w/Stand	4	13,788
		Diagnostic System, Integrated	6	6,461
		Table, Exam/Treatment, Manual Adjust, Electr.	6	7,327
		Table, Exam/Treatment, Powered	1	9,900
		Ultrasound, Imaging, Bladder	1	17,479
		Procedure Room Instruments		83,600
Laboratory/Shared Clinical Support				
	Other High Value Equipment			
		Analyzer, Lab, Blood Gas, Point-of-Care	4	24,200
		Analyzer, Lab, Immunoassay, Countertop	4	11,611
		Centrifuge, General Purpose, Countertop	4	13,189
		Refrigerator, Laboratory, 1 door	1	7,500
		Water Treatment System, RO, Floor	2	46,628
		Defibrillator, Automatic	2	7,304
Furnishings				
	Clinics			232,063
	Public			175,000
	Staff Support			381,063
		Equipment Grand Total		$4,984,346

ATTACHMENT 7

Fair Market Value of Leased Space			
	Annual Rent	Discount Factor (10%)	Rent Present Value
Year 1	$1,431,362	0.90909	$1,301,238
Year 2	$1,459,989	0.82645	$1,206,602
Year 3	$1,489,189	0.75131	$1,118,850
Year 4	$1,518,973	0.68301	$1,037,479
Year 5	$1,549,352	0.62092	$962,026
Year 6	$1,580,339	0.56447	$892,060
Year 7	$1,611,946	0.51316	$827,183
Year 8	$1,644,185	0.46651	$767,024
Year 9	$1,677,069	0.42410	$711,241
Year 10	$1,710,610	0.38554	$659,514
		Total	$9,483,218
Fair Market Value of Leased Space =			$9,483,218

ATTACHMENT 7

Section I, Cost Space Requirements

Attachment 9

Cost Space Requirements

Department/Area	Cost	Gross Square Feet: Existing	Gross Square Feet: Proposed	Amount of Proposed Total BGSF That Is: New Constr.	Modern.	As Is	Vacated Space	Re-assign
Reviewable:								
Imaging	5,426,788		4,460	4,460			675	0
Sleep Studies	1,545,624		2,937	2,937			1,958	
Laboratories	364,656		554	554			270	
Infusion Therapy	425,095		693	693				
Total Reviewable	$7,762,163	0	8,643	8,643	0	0	2,903	
Nonreviewable:								
Physician Offices	$10,161,343		15,711	15,711			14,580	
Public	4,406,661		7,271	7,271			2,135	
Staff/Support	4,998,136		10,462	10,462			1,150	
Bldg. Systems	1,947,466		619	619			575	
Total Nonreviewable	$21,513,606	0	34,063	34,063	0	0	3,860	
Grand Total	$29,275,769	0	42,706	42,706	0	0	21,343	0

This proposal is consolidating two existing downtown physicians offices in a different location and expanding services. Vacated Space is currently leased and we won't continue the leases.

BGSF factor = 1.0496

ATTACHMENT 9

Section III, Background of Applicant

Attachment 11

Section 1110.230, Background, Purpose of the Project and Alternatives

1. **A listing of all health care facilities owned by the applicant, including licensing, and certification if applicable.**

   UCMC's full general hospital license #0003897, effective July 1, 2018, issued by the Illinois Department of Public Health ("IDPH"), is attached. UCMC's most recent accreditation letter from the Joint Commission, dated May 12, 2016, is attached.

   UCMC also owns Ingalls Memorial Hospital ("Ingalls Hospital") and Ingalls Same Day Surgery Center, an ambulatory surgery treatment center ("Ingalls ASTC").

   A copy of Ingalls Hospital's full general hospital license #0001099, effective January 1, 2018, issued by IDPH, is attached. Ingalls Hospital's most recent certificate of accreditation from the Centers for Medicare and & Medicaid Services, dated April 17, 2018, is attached.

   A copy of Ingalls ASTC's ambulatory surgery treatment center license #7001043, effective June 18. 2018, issued by IDPH, is attached. Ingalls ASTC's most recent accreditation letter from the Joint Commission, dated June 28. 2018, is attached.

2. **A certified listing of any adverse action taken against any facility owned and/or operated by applicant during the three years prior to the filing of the application.**

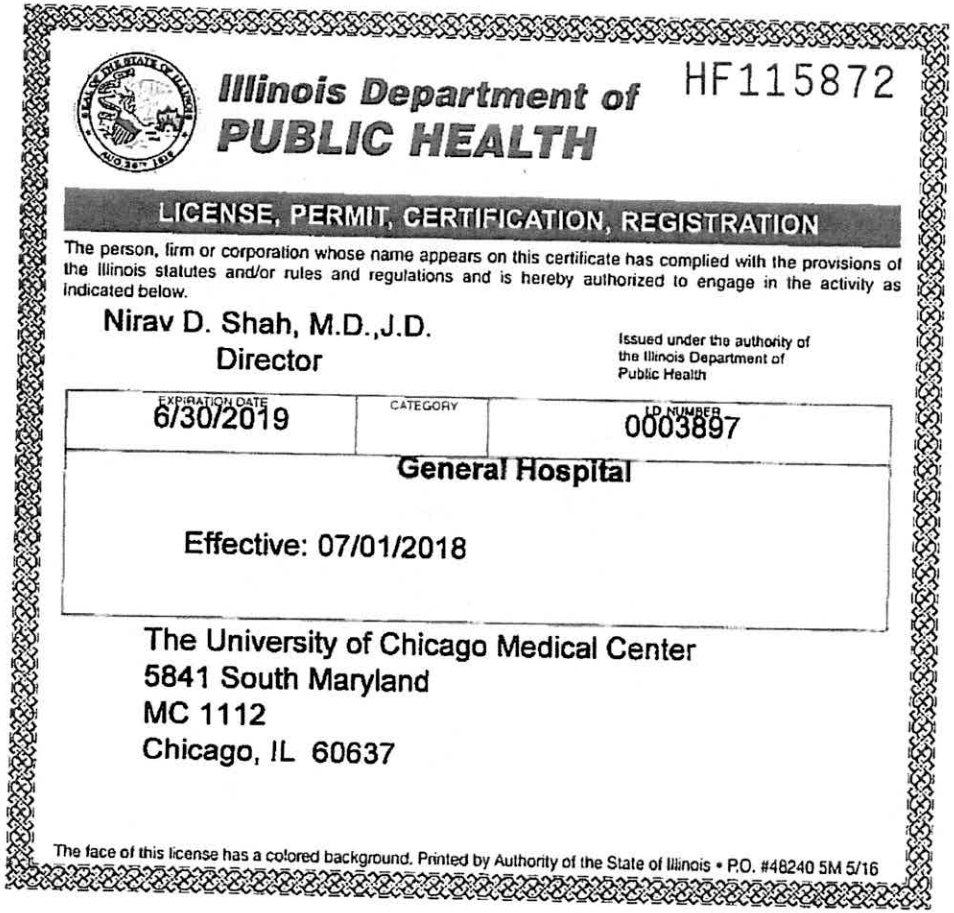
   There have been no adverse actions taken against UCMC within the prior three years. A letter attesting to this fact is attached.

3. **Authorization permitting HFSRB and DPH access to documents necessary to verify the information submitted, including, but not limited to: official records of DPH or other**

State agencies; the licensing or certification records of other States; when applicable; and the records of nationally recognized accreditation organizations.

A letter granting the Review Board and the IDPH access to information to verify information in the application is attached.

ATTACHMENT 11



Illinois Department of PUBLIC HEALTH

HF115872

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.

Nirav D. Shah, M.D.,J.D.
Director

Issued under the authority of the Illinois Department of Public Health

EXPIRATION DATE	CATEGORY	I.D. NUMBER
6/30/2019		0003897

General Hospital

Effective: 07/01/2018

The University of Chicago Medical Center
5841 South Maryland
MC 1112
Chicago, IL 60637

The face of this license has a colored background. Printed by Authority of the State of Illinois • P.O. #48240 5M 5/16

← DISPLAY THIS PART IN A CONSPICUOUS PLACE

Exp. Date 6/30/2019
Lic Number 0003897
Date Printed 5/15/2018
Validation Num

The University of Chicago Medical Cen

5841 South Maryland
MC 1112
Chicago, IL 60637

FEE RECEIPT NO.

ATTACHMENT 11

University of Chicago Medical Center

Chicago, IL

has been Accredited by

The Joint Commission

Which has surveyed this organization and found it to meet the requirements for the

Hospital Accreditation Program

March 12, 2016

Accreditation is customarily valid for up to 36 months.

Rebecca J. Patchin, MD
Chair, Board of Commissioners

ID #7315
Print Report Date: 05/23/2016

Mark R. Chassin, MD, FACP, MPP, MPH
President

The Joint Commission is an independent, not-for-profit national body that oversees the safety and quality of health care and other services provided in accredited organizations. Information about accredited organizations may be provided directly to The Joint Commission at 1-800-994-6610. Information regarding accreditation and the accreditation performance of individual organizations can be obtained through The Joint Commission's web site at www.jointcommission.org.

ATTACHMENT 11

Illinois Department of PUBLIC HEALTH HF114552

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.

Nirav D. Shah, M.D.,J.D.
Director

Issued under the authority of the Illinois Department of Public Health

EXPIRATION DATE	CATEGORY	I.D. NUMBER
12/31/2018		0001099

General Hospital

Effective: 01/01/2018

Ingalls Memorial Hospital
One Ingalls Drive
Harvey, IL 60426

The face of this license has a colored background. Printed by Authority of the State of Illinois • P.O. #48240 5M 5/16

← DISPLAY THIS PART IN A CONSPICUOUS PLACE

Exp. Date 12/31/2018

Lic Number 0001099

Date Printed 11/21/2017

Ingalls Memorial Hospital

One Ingalls Drive
Harvey, IL 60426

FEE RECEIPT NO.

ATTACHMENT 11

DNV·GL

CERTIFICATE OF ACCREDITATION

Certificate No.:	Initial date:	Valid until:
180222-2018-AHC-USA-NIAHO	4/17/2018	4/17/2021

This is to certify that:

Ingalls Memorial Hospital

One Ingalls Drive, Harvey, IL 60426

has been found to comply with the requirements of the:

NIAHO® Hospital Accreditation Program

Pursuant to the authority granted to DNV GL Healthcare USA, Inc. by the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services, this organization is deemed in compliance with the Medicare Conditions of Participation for Hospitals (42 C.F.R. §482).

This certificate is valid for a period of three (3) years from the Effective Date of Accreditation.

For the Accreditation Body:
DNV GL - Healthcare
Katy, TX

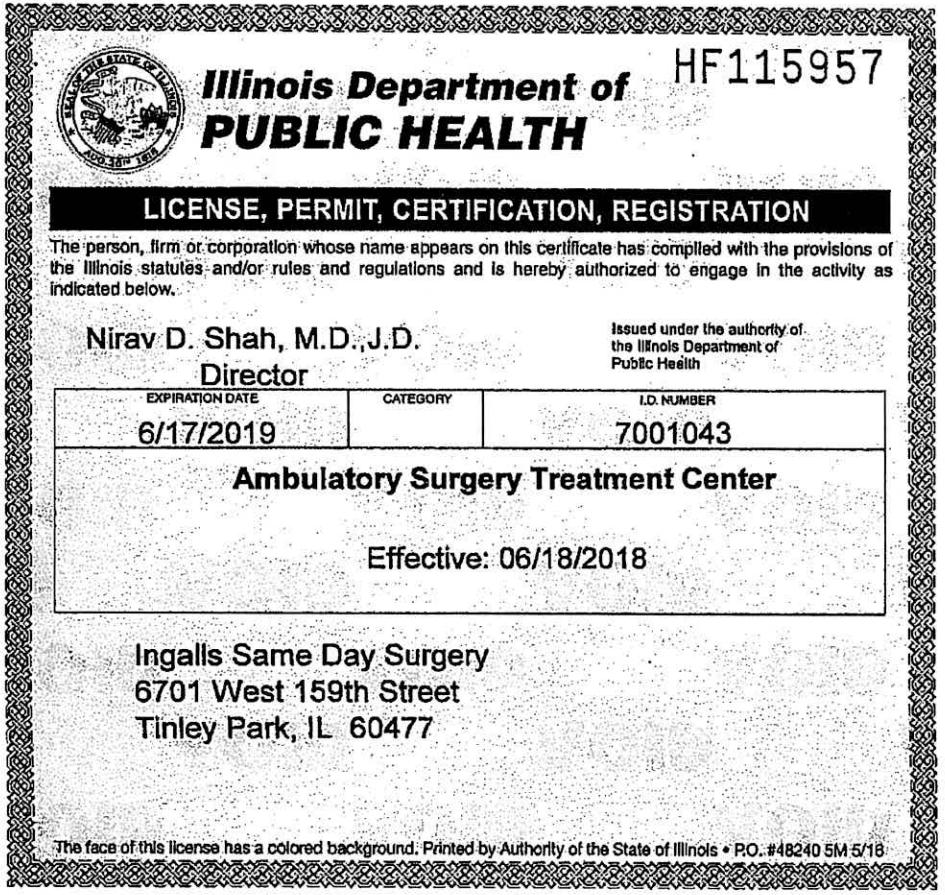
Patrick Horine
Chief Executive Officer

CMS
CENTERS FOR MEDICARE & MEDICAID SERVICES

Lack of continual fulfillment of the conditions set out in the Certification/Accreditation Agreement may render this Certificate invalid.

DNV GL - Healthcare, 400 Techne Center Drive, Suite 100, Milford OH, 45150. Tel: 513-547-8343 www.dnvglhealthcare.com

ATTACHMENT 11



Illinois Department of PUBLIC HEALTH

HF115957

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.

Nirav D. Shah, M.D., J.D.
Director

Issued under the authority of the Illinois Department of Public Health

EXPIRATION DATE	CATEGORY	I.D. NUMBER
6/17/2019		7001043

Ambulatory Surgery Treatment Center

Effective: 06/18/2018

Ingalls Same Day Surgery
6701 West 159th Street
Tinley Park, IL 60477

The face of this license has a colored background. Printed by Authority of the State of Illinois • P.O. #48240 5M 5/18

← DISPLAY THIS PART IN A CONSPICUOUS PLACE

Exp. Date 6/17/2019

Lic Number 7001043

Date Printed 5/23/2018

Ingalls Same Day Surgery

6701 West 159th Street
Tinley Park, IL 60477

FEE RECEIPT NO.

ATTACHMENT 11

The Joint Commission

June 28, 2018

Kurt Johnson
President
Ingalls Same Day Surgery Center
6701 West 159th Street
Tinley Park, Illinois 60477

HCO ID: # 336

Dear Mr. Johnson:

This letter is to confirm that your Ambulatory Health Care Accreditation program accreditation has been extended until the upcoming triennial survey occurs and a new accreditation decision is rendered. The current accreditation decision was effective July 10th, 2015.

Once your triennial survey occurs and all post survey activity is completed successfully, a new award letter will be posted to your secure Joint Commission Extranet site.

We do apologize for any inconvenience that this may have caused.

If you have any questions, please do not hesitate to contact me at (630) 792-5089.

Sincerely,

Angela Malone

Angela Malone, MBA
Senior Account Executive
Accreditation and Certification Operations

THE UNIVERSITY OF CHICAGO MEDICINE

Sharon O'Keefe
President

MC 1000 S-115
5841 South Maryland Avenue
Chicago, Illinois 60637-1470
phone (773) 702-8908
fax (773) 702-1897
sharon.okeefe@uchospitals.edu

August 7, 2018

Ms. Courtney R. Avery
Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: University of Chicago Medical Center Permit Application – No Adverse Action

Dear Ms. Avery:

As President of the University of Chicago Medical Center, I hereby certify that no disciplinary action relative to "Adverse Action" as defined under Title 77, Section 1130 of the Review Board Rules has been adjudicated against The University of Chicago Medical Center, or against any health care facility owned or operated by it, directly or indirectly, within three (3) years preceding the filing of the permit application.

I hereby authorize the Illinois Health Facilities and Services Review Board and the Illinois Department of Public Health ("IDPH") to access any documentation that it finds necessary to verify any information submitted including, but not limited to official records, of IDPH or other State agencies and the records of nationally recognized accreditation organizations.

Sincerely,

The University of Chicago Medical Center

Sharon O'Keefe
President

Notarization:
Subscribed and sworn to before me
This 7th day of August 2018

Signature of Notary Public

Seal

"OFFICIAL SEAL"
CASSANDRA COLE
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES 8/3/2021

THE UNIVERSITY OF CHICAGO MEDICINE

Sharon O'Keefe
President

MC 1000 S-115
5841 South Maryland Avenue
Chicago, Illinois 60637-1470
phone (773) 702-8908
fax (773) 702-1897
sharon.okeefe@uchospitals.edu

August 7, 2018

Ms. Courtney R. Avery
Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: The University of Chicago Medical Center – Downtown MOB Permit Application – Access to Information

Dear Ms. Avery:

I hereby authorize the State Board and State Agency access to information from any licensing/certification agency in order to verify any and all documentation or information submitted in relation to this permit application. I further authorize the Illinois Department of Public Health to obtain any additional documentation or information that said agency deems necessary for the review of the application as it pertains to Section 1110.230(a)(3)(C) of the Review Board Rules.

Sincerely,

The University of Chicago Medical Center

Sharon O'Keefe
President

Notarization:
Subscribed and sworn to before me
this 7th day of August, 2018

Signature of Notary Public

Seal

"OFFICIAL SEAL"
CASSANDRA COLE
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES 8/3/2021

115035761.1

Section III, Purpose of Project

Attachment 12

Section 1110.230(b), Purpose of Project

The University of Chicago Medical Center ("UCMC") proposes to consolidate and expand two of UCMC's existing, downtown medical clinics – a multi-specialty medicine practice located in a medical office building located at 150 E. Huron Street ("Huron MOB") and a gynecology practice located in a medical office building located at 680 N. Lake Shore Drive ("Lake Shore Drive MOB") – into one nearby location (the "Medical Office Building" or "MOB") through the lease of space in mixed use building located at 355 East Grand Avenue in Chicago (the "Project"). This Project will include an immediate care center, multi-specialty physician office space, and diagnostic and treatment facilities.

Specifically, the MOB space on the first floor will consist of a six (6) station immediate care center. The second floor will house thirty-two (32) examination rooms and other diagnostic and treatment facilities, including diagnostic imaging (a mammography unit, a general radiograph device, ultrasound, bone densitometry); small laboratory for blood draws and specimen collection, and infusion therapy. The Project also will include ample street-level and structured parking.

The delivery of care in two smaller clinics is unnecessarily disjointed. The Project will eliminate the inconvenience for current UCMC patients with multiple medical appointments from having to visit separate buildings and will create a defined hub for outpatient care in downtown Chicago. It will also allow UCMC to accommodate the growth in demand for additional clinical services not possible in its current locations.

1. **Document that the project will provide health care services that improve the health care or well-being of the market area population to be served.**

ATTACHMENT 12

UCMC has been serving the City of Chicago since 1927 and is one of the nation's leading academic medical institutions.

Its mission is to provide superior health care in a compassionate manner, ever mindful of each patient's dignity and individuality. To accomplish this mission, UCMC relies upon the skills and expertise of all who work together to advance medical innovation, service the health needs of the community and further the knowledge of those dedicated to caring for patients.

UCMC is a nationally recognized leader in patient care, research and medical education and is the primary teaching hospital for the University of Chicago Pritzker School of Medicine. Renowned for treating some of the most complex medical cases, UCMC brings the very latest medical treatments to patients in Chicago and continues to invest in the capital resources necessary to maintain this effort. UCMC routinely ranks among the top providers of Medicaid services in Illinois.

Its main Hyde Park campus is home to the Center for Care and Discovery, Bernard Mitchell Hospital, Comer Children's Hospital and the Duchossois Center for Advanced Medicine. It also has a 108,000-square-foot facility in Orland Park, as well as affiliations and partnerships that create a network of doctors in dozens of Chicago-area communities. Harvey-based Ingalls Health joined UCMC's network in 2016. UCMC offers a full range of specialty-care services for adults and children through more than 40 institutes and centers including an NCI-designated Comprehensive Cancer Center. It has 811 licensed beds, nearly 850 attending physicians, approximately 2,500 nurses and over 1,100 residents and fellows.

Healthcare reform, whether in its current state or modified, continues to value low-cost, high quality and integrated care. The consolidation of UCMC's existing, downtown physician offices will increase access to exceptional care by delivering a broad spectrum of care in one location, making such care more convenient and accessible, thereby

improving quality and patient outcomes. Programmatically, this Project champions the area in which UCMC is already serving its community. As one salient example, the addition of mammography services to increase access to such care is consistent with UCMC's commitment to reduce disparities of women's health outcomes in breast cancer and lower rates of mammography screening.

UCMC has a strong history of academic excellence in both mammography quality and clinical research. It is the home of many firsts in the realm of breast cancer care. Its breast cancer experts continually advance the program with research, leading-edge techniques and treatment options. It is also one of the country's leading sites for robust breast cancer clinical trials and is one of two NCI-designated Comprehensive Cancer Centers in Chicagoland. It is the leader in Chicago and offers phase one, two and three clinical trials for women with early-stage and metastatic breast cancer. Additionally, UCMC is the only institution in Chicago that is part of the Translational Breast Cancer Research Consortium. UCMC's participation in these clinical trials means greater access to novel care, including neoadjuvant therapy (treatment before surgery), for breast cancer patients.

2. **Define the planning area or market area, or other, per the applicant's definition.**

As a major national academic medical center, UCMC essentially has two market areas. First, it serves much of the South side of the City of Chicago, as well as South suburbs. In addition, for its highly specialized tertiary and quaternary services, as well as personalized and compassionate primary care essential to the coordinated delivery of specialty medicine, UCMC serves much of the Chicago metropolitan area, the state of Illinois and the Midwest, and even includes international patients.

While UCMC remains an anchor for patients seeking care within its main Hyde Park campus community, UCMC recognizes that many of its residents commute outside of the Planning Area for work each day. Approximately 62,098 residents of Planning A-3 commute to Planning Area A-01 each day, with many people opting to schedule appointments during their workday. The ability to schedule healthcare appointments during a lunch hour or other part of the workday keeps people healthier and at work. An

estimated 387,480 commute to the six zip code area around the proposed Project site for work each day. The Project will also serve University of Chicago's (the "University") downtown campus and make our facilities convenient to those with a connection to the University, including students and employees.

These service areas are more precisely delineated in Attachment 20.

3. Identify the existing problems or issues that need to be addressed, as applicable and appropriate for the project.

A. Current downtown Physician Offices and Necessary Ancillary Resources are Scattered and Inefficient and Have No Place to Expand.

UCMC proposes to consolidate and expand its existing multi-specialty practice located at the Huron MOB and gynecology practice located at the Lake Shore Drive MOB into one location.

- This project will consolidate all outpatient services and physicians' offices in one building dedicated to outpatient care. The current lack of coordinated access to clinical services is inconvenient to patients and compromises their ability to obtain necessary follow up care.

- The delivery of care in two smaller clinics is unnecessarily disjointed. The scattered nature of the outpatient services that UCMC currently provides means that patients with multiple medical appointments may have to travel to more than one physician office, with the inconvenience of commuting in between and/or re-parking their vehicle.

- The multi-specialty practice experienced an average annual growth rate of 9.8% in outpatient visits during the past 8 years. Outpatient service growth will only continue to grow due national reimbursement trends and the fact that the population of the area is increasing.
- Wait times for appointments can be long, with new patients waiting as long as five (5) weeks for an appointment in gynecology and up to two (2) months in specialties such as rheumatology.

B. Need to Create Clinical Adjacencies for Patient Safety & Convenience.

UCMC proposes to maximize the full potential of its consolidated ambulatory location by adding complementary services to its existing clinical service offerings.

- UCMC's current gynecology practice located in the Lake Shore Drive MOB provides services in isolation from obstetrics and other women's services including diagnostic and screening mammography. Patients seeking to establish a long-standing relationship with an OB/GYN cannot do so in the existing model.

- Rheumatology and other specialty care patients currently must endure long wait times for appointments and cannot obtain standard of care biologic infusions on site in UCMC's current multi-specialty medicine practice located in the Huron MOB.[1]

- Local market demographics show a significant backlog of women trying to schedule their annual mammography screening, but having limited access due to capacity challenges.[2]

C. Increased Capacity Needed to Accommodate Anticipated Growth & Patient Demand for Timely and Convenient Outpatient Care.

UCMC proposes to add capacity to its existing downtown practices and expand clinical offerings to include immediate care, infusion therapy and mammography services.

- Visits to UCMC's existing multi-specialty medicine practice located in the Huron MOB increased from FY10-FY18 at an annual compounded rate of 9.8% per year, which is projected to continue. UCMC anticipates that the demand for breast health

[1] Treatment guidelines from the American College of Rheumatology and the European League Against Rheumatism emphasize that RA therapy should be commenced early to stem the progression of disease, prevent irreversible joint damage, and halt further functional decline. Recommended treatments are targeted toward achieving clinical remission or low disease activity. Patients become eligible for treatment with biologic disease-modifying antirheumatic drugs (DMARDs) if they continue to experience moderate to high disease activity following nonresponse to conventional DMARD regimens. Cost of Providing Infusion Therapy for Rheumatoid Arthritis in Hospital-Based Infusion Centers, *Clinical Therapeutics*, Vol. 39, Issue 8 August 2017, Schmier, et al.

[2] Screening Mammography Need, Utilization, and Capacity in Chicago: Can We Fulfill our Mission and our Promises? Kristi L. Allgood, Garth Rauscher, and Steve Whitman, Sinani Urban Health Institute, Chicago, Illinois (2011).

in A-01 will grow 4.8% and that the gynecology visits will grow at a similar rate over this time period.

- Within a one (1) mile radius of the proposed consolidated MOB, there is unprecedented new construction, including 1,582 new condos and 11,293 rental units for a total of 16,351 new residents resulting in a 25.1% population growth since 2015. The attached map depicts residential development and population growth within a one (1) mile radius of the proposed consolidated MOB.

- While UCMC has for a long time skillfully accommodated emergent and urgent medical conditions in its acute care and inpatient delivery model, patient waits for physician appointments have been a long-standing issue. There are prolonged wait times and access deficiencies for prompt and timely lower acuity health care. This Project, with expanded multi-specialty services and the addition of immediate care, will squarely address this need.

4. **Cite the sources of the information provided as documentation.**

UCMC undertakes ongoing internal utilization studies and the source of this information includes those reports and other information reported to EMS, IDFPR and IDPH. UCMC also relied upon data from Sg2 and MB Real Estate.

5. **Detail how the project will address or improve the previously referenced issues or problems.**

The Project will address the previously referenced issues as well as the population's health status and well-being as follows:

A. Current Physician Offices and Necessary Ancillary Resources are Scattered and Inefficient and With No Place to Expand.

UCMC proposes to consolidate and expand its multi-specialty practice located at the Huron MOB and gynecology practice located at the Lake Shore Drive MOB into one location.

- This project will consolidate all outpatient services and physicians' offices in one building dedicated to outpatient care. The consolidation and coordinated access to a broad continuum of clinical services will result in improved clinical care.

- The Project will also offer improved patient conveniences like ease of access, locations convenient to work, and abundant parking.

B. Project will Create Important Clinical Adjacencies.

UCMC proposes to maximize the full potential of its consolidated ambulatory location by adding complementary services to its existing clinical service offering.

- UCMC, likely in conjunction with a nationally renowned and patient-centric mammography services provider, seeks to combine clinical excellence through its research-based protocols, upgraded technology and an enhanced patient-centric experience.[3]

- Gynecology, joined by obstetrics and mammography services will provide a seamless continuum of care.

- Most infused anti-RA drugs can be administered at a physician's office, an outpatient center, or in the home, with quality outcomes similar to those with infusions administered in the hospital. Infusions performed in these alternative settings yield substantial cost savings.

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[3] UCMC recognizes that access to screening mammography is challenging at both ends of the socio-economic spectrum and continues to partner with community organizations to make mammography screening available to more vulnerable populations. For example, UCMC partners with the Metropolitan Chicago Breast Cancer Task Force to provide free screening mammograms and diagnostics to uninsured and underinsured women living in Illinois each year. The program aims to emphasize the importance of breast cancer screening beyond breast cancer awareness month. Another state funded program in which UCMC participates in the mammography and breast cancer screening is the Illinois Breast and Cervical Cancer Program in partnership with IDPH and Chicago Family Health Center. UCMC also founded and funds Sisters Working it Out Breast Education and Awareness initiative, which focuses on educating at-risk communities about breast cancer, increasing screening, and promoting use of local health services.

C. Project Creates Capacity and Clinical Efficiencies Necessary to Accommodate Anticipated Growth.

UCMC proposes to add capacity to its existing downtown practices and expand clinical offerings to include immediate care, infusion therapy and mammography services.

- A consolidated location and modest expansion will enable UCMC to provide care to an increased numbers of patients. With a more efficient design that minimizes patient and caregiver movement the new MOB will better accommodate UCMC's existing patients and the expected growth next eight to ten years.

- While UCMC has for a long time skillfully accommodated emergent and urgent medical conditions in its acute care and inpatient delivery model, patient waits for physician appointments have been a long-standing issue. There are prolonged wait times and access deficiencies for prompt and timely lower acuity health care. This Project, with expanded multi-specialty services and the addition of immediate care, will squarely address this need.

- The Project will allow UCMC to serve its existing customers and perhaps a portion of the area's growing population.

A. Provide goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals as appropriate.

UCMC's prevailing objectives are two-fold: modernization and increased access. Specifically, the goals of the Project are:

- To consolidate and expand UCMC's downtown physician offices for the safety and convenience of UCMC's patients, alongside the ancillary diagnostic and treatment modalities required for their medical care.

- To alleviate strain on current resources and provide more timely access to clinical specialties in which UCMC excels and for which there is robust demand.

- To create clinical efficiencies and capacity for additional growth by modestly expanding UCMC's physician office footprint, while simultaneously streamlining the delivery of outpatient care to UCMC patients.

These goals can be achieved within the timeframe for Project completion.

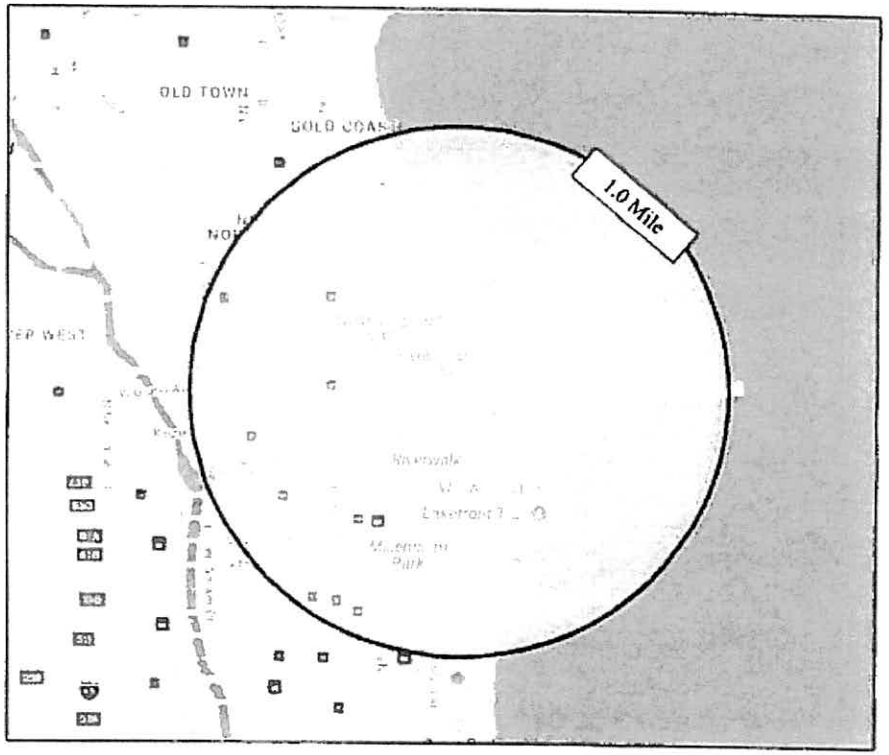
1.0 Mile Radius of 355 E Grand Ave
Residential Development / Population Growth

MB Real Estate

Existing Residential Inventory		
30,490 Condos	21,101 Rentals	51,588 Total Units
59%	41%	
2017 Population	65,238	+1.27 Population / Unit*
Buildings Built in 2015-2017 Still Being Leased Up		
35 Condos	3,017 Rentals	3,052 New Units
1% Condos	99% Rentals	5.9% Increase in Units
Under Construction		
605 Condos	5,220 Rentals	5,825 New Units
10% Condos	90% Rentals	11.3% Increase in Units
Proposed Developments Still in Planning and/or Zoning		
942 Condos	3,056 Rentals	3,998 New Units
24% Condos	76% Rentals	7.6% Increase in Units
Totals (Built 2015-2017 + Under Construction + Proposed)		
1,582 Condos	11,293 Rentals	12,875 New Units
12% Condos	88% Rentals	25.0% Increase in Units

Potential Population Growth (#units x 1.27)*
16,351 New Residents
(25.1% Growth)

*1.27 factor derived from 65,238 population divided by 51,588 units



According to Appraisal Research Counselors a 50% - 60% renewal rate is a good rule of thumb for or downtown Chicago rental buildings. However, an expert at AMLI Residential, a luxury apartment developer and landlord, noted that in today's environment renewal rate is largely a function how aggressively a landlord increases its rental rates. For instance, if a landlord proposes renewals at a 15% rent increase then the renewal rate will likely be lower.

Section III, Alternatives

Attachment 13

Alternatives

1. **Project of Greater or Lesser Scope and Cost.**

A project of 30% greater area costing $36.1M was considered. Although this would have allowed a broader array of services while improving patient access, there is higher business risk due to increased cost (+$6.8M). Rent costs are also high in downtown Chicago, so building an appropriately sized MOB is essential.

Also considered was a smaller project, of 21,343 dgsf, which is the present size of the two MOBs to be consolidated and relocated. While the business risk is smaller and the cost less by $11.7M, this plan would not have made possible a small, street-level immediate care unit giving the MOB much greater visibility. There is also the concern that a smaller project would not allow for the proposed new services (e.g, mammography and primary care) or adequate space for long-term growth. The lease term for the proposed Project is fifteen (15) years with two (2) renewal options, in UCMC's discretion, of five (5) years each for a total possible term of twenty-five (25) years. Given the potential length of the lease, it does not make sense to constrict the space by nearly half thereby foreclosing future expansion as patient activity increases. This is a retail building with a reasonably high demand for space and it cannot be assured that adjacent space would be available for lease five or six years in the future. Thus, expansion might not be possible and there would be a significant risk to the UCMC's $17.6M investment if relocation once again was the only option to meet patient needs.

2. **Joint Venture with Other Providers.**

A joint venture with other parties was not only considered, but is being pursued. This venture involves the proposed mammography unit and a potential partner has been identified and negotiations are currently underway. UCMC hopes to gain this partner's expertise and experience operating successful mammography practices in multiple states. These practices are known for superior patient-centered care implemented with compassion, thereby helping patients facing very worrying diagnoses. It is hoped that what UCMC learns in this partnership can also be extended to other areas of care. Superior care cannot be achieved and maintained without continuously exploring new methods and employing the best of them.

While a joint venture is only being considered for the mammography portion of this Project, representing 9% of the space, overall there is a limit to the viability of joint ventures due to the considerable effort needed in a partnership. Management, staffing, finance, and other systems must be worked out both initially and on an ongoing basis at no small cost of time and money. Thus, additional partnerships beyond the one currently being considered for mammography were not considered viable at this time.

3. **Utilize Other Available Health Resources.**

Utilizing other health care resources is always considered in deciding whether to invest further in current services. The multi-specialty and gynecological practices to be relocated and consolidated at the new consolidated MOB have a history of attracting patients. Even though there are other estimable providers in the downtown area, these patients "voted with their feet" and elected to join these practices. This has given UCMC confidence that the prior success of these practices will continue in the new MOB location. UCMC offers a breadth and depth of clinical expertise that is widely recognized and its intention is to continue to make its services available downtown.

In estimating the cost of other providers in this area providing these services, it is a challenge since the treatment capacity of facilities varies. A range of $0 to $29.3M covers the possibilities, which range from other existing facilities absorbing all of UCMC's patients in this area to additional capacity needing to be constructed, which could be the amount estimated for the proposed MOB.

4. **Proposed Alternative.**

The proposed Project of consolidating UCMC's existing multi-specialty and gynecological MOBs into one location and adding additional services is being pursued for reasons of greater operating efficiency, the opportunity to broaden services offered, improved visibility, and the chance to continue to provide care in this vital and growing part of downtown Chicago.

2. Comparison of Alternatives

Alternative - Downtown Medical Office Building	Cost	Pros	Cons
Project of Greater Scope	$36.1M	Abundant space	Higher cost
		Affords greater service offerings	Greater business risk
Project of Lesser Scope	$17.6M	Lower cost	If space proves insufficient may not be able to expand in planned location.
		Less programmatic risk.	
Joint Venture	$29.3M	Shared risk/losses	Higher cost
		Gain expertise of partner - better service experience	Challenge to manage
Utilize Existing Facilities	$0 - $29.3M	Less cost to UCMC	Patients don't receive UCMC care.
		Area providers would see more patients.	Continuity of care would be disrupted.
Proposed Project	$29.3M	UCMC has clinical resources in demand	Cost is $29.3M
		Continuity of care maintained	
		Convenience to downtown residents seeking UCMC care.	

ATTACHMENT 13

Section IV, Project Scope, Utilization, and Unfinished/Shell Space

Attachment 14

Project Scope, Utilization and Unfinished/Shell Space

SIZE OF PROJECT				
DEPARTMENT/SERVICE	**PROPOSED BGSF/DGSF**	**STATE STANDARD**	**DIFFERENCE**	**MET STANDARD?**
Imaging				
Mammography	2,730	900		
Ultrasound	945	2,700		
Radiographic	574	1,300		
Imaging Total	4,249	4,900	651	Yes

The proposed space is necessary and appropriate. As UCMC has expanded its outpatient facilities in recent years, it has focused on lean and efficient design. Imaging will consist of one (1) radiographic machine, ultrasound machines (two (2) in total) in OB/Gyn and mammography and a mammography machine. Employing the space standards for these modalities results in state standard space of 4,900 dgsf which is greater than the proposed imaging space of 4,249 dgsf.

The Project will occupy first and second floor leased space in an existing building at 355 East Grand Avenue, Chicago. Specifically, UCMC proposes to consolidate its two (2) existing practices – a multi-specialty practice at the Huron MOB and a gynecological practice at the Lake Shore Drive MOB – into the proposed new MOB. The Huron MOB practice has been in existence since 2009 and provides primary care, infectious disease, cardiology, dermatology, endocrinology, gastroenterology, nephrology, dermatology, sleep studies, and psychiatry services. The Lake Shore Drive MOB practice became a part of UCMC in 2016. These practices occupy 21,343 square feet presently and would occupy 4,600 square feet more at the proposed consolidated MOB, or 50% of the new space.

Imaging

SIZE OF PROJECT				
DEPARTMENT/SERVICE	**PROPOSED BGSF/DGSF**	**STATE STANDARD**	**DIFFERENCE**	**MET STANDARD?**
Imaging:				
Mammography	2,730	900		
Ultrasound	945	2,700		
Radiographic	574	1,300		
Imaging Total	4,249	4,900	651	Yes

A mammography suite will be a new service which UCMC anticipates it may operate in conjunction with a company specializing in mammography centers. Contractual arrangements are not final, however, negotiations have begun. This company has 50 centers in states such as Texas, Pennsylvania, Ohio, Arizona, and Washington D.C. Some are wholly owned and others, as will be the case with UCMC, are joint ventures. The company's mammography centers are known for warm, homelike settings, friendly staff, ease of scheduling, patient-centric care, state-of-the-art imaging, and fast results. For this Project, mammography will occupy 9% of the total area and will have one (1) mammography machine (digital breast (3D) tomosynthesis), a prone biopsy table using the stereotactic approach for guidance, a bone density scanner, which will also serve the OB/Gyn physician offices and multi-specialty offices, and an ultrasound unit which will be used by the radiologist following diagnostic scans for additional views and also for biopsy targeting.

A table summarizing the space program follows in Attachment 14. This identifies the key imaging rooms. The total departmental gross square footage is 4,249, which is less than the standard of 4,900 dgsf.

ATTACHMENT 14

		Reviewable					Non-Reviewable				
		Sleep					Physician	Staff		Building	Key
	NSF	Studies	Labs	Infusion	Imaging		Offices	Support	Public	Systems	Rooms
Physicians' Offices/Immediate Care											
Reception/Waiting											
Waiting Room	320								320		
Reception	40						40				
Check-in/ Check-out	40						40				
Kiosk Station	20								20		
Copy/work	60						60				
Public Toilet	55								55		
Clinical											
Exam Room	660						660				6
Triage	110						110				
Medication	110						110				
Lab	120		120								
Radiology	350				350						1
Radiology Tech Room	60				60						
Support Area											
Patient Toilets	55						55				
Equipment Storage	80						80				
Clean Utility	80						80				
Soiled Utility	80						80				
EVS	60						60				
Staff Support											
Physician Work Area	110						110				
Office - Manager	80						80				
Team Work Station	200						200				
Registration	120						120				
Staff Lounge/Lockers/Bathroom	300							300			
IT/Infrastructure	100									100	
Immediate Care NSF Total	3,210	0	120	0	410		1,885	300	395	100	
Immediate Care DGSF Total	4,494	0	168	0	574		2,639	420	553	140	
Primary Care, OB/Gyn, Multi-Specialty											

ATTACHMENT 14

Reception/Waiting											
Reception	80						80				
Check-in	160						160				
Check-out	80						80				
Kiosk Station	20							20			
Copy/work	120						120				
Registration	120						120				
Waiting	1,680								1,680		
Public Toilets	520								520		
Family/Single User Bathroom	65								65		
Clinical											
Physician Offices	3,670						3,670				
- Primary Care											6
- Multi-Specialty											16
- OB/Gyn											10
Infusion	290			290							2
Procedure Room	495						495				
Ultrasound	120				120						1
Cardiac Stress Test	330				330						1
Support Area											
Patient Toilets	200						200				
Clean Utility	220						220				
Soiled Utility	160						160				
Supply Room	110						110				
Equipment Storage	220						220				
Infusion Support	150			150							
Changing Room	50						50				
Lab	240		240								
Blood Draw	55						55				
EVS	120						120				
Staff Support											
Physician Work Area	860						860				
Office - Manager	100						100				
Team Work Station A	400						400				
Team Work Station B	400						400				
Team Work Station C	400						400				
Shared Staff Office	200						200				
Staff Lounge	660							660			

Staff Lockers	420							420			
Staff Toilet - Locker Room	220							220			
Conference Room	300							300			
Staff Toilets	110							110			
Shared IT/Infrastructure	200									200	
Public Space											
1st Floor Lobby	1,055								1,055		
2nd Floor Lobbies	555								555		
Primary Care, Multi-Spec., OB Gyn NSF Total	15,155	0	240	440	450		8,220	1,730	3,875	200	
Primary Care, Multi-Spec., OB Gyn DGSF Total	22,731	0	360	660	675		12,329	2,595	5,812	300	
Sleep Lab											
Reception/Waiting											
Waiting Room	160								160		
Check-in/ check-out	40	40									
Clinical											
Sleep Room	680	680									4
Sleep Room Toilet	220	220									
Sub-waiting	80	80									
Support Areas											
Patient Toilets	55	55									
Clean Utility	55	55									
Soiled Holding	55	55									
Decontamination	80	80									
Linen	55	55									
Kitchenette	55	55									
Staff Support											
Physician Work Area	110	110									
Sleep Scheduling	110	110									
Control Room	110	110									
Team Work Station	80	80									
Office - Manager	80	80									
Staff Lounge/Lockers/Bathroom	100							100			
Sleep Lab NSF Total	2,125	1,865	0	0	0		0	100	160	0	
Sleep Lab DGSF Total	3,188	2,798	0	0	0		0	150	240	0	

ATTACHMENT 14

Mammography											
Reception/Waiting											
Waiting	160								160		
Public Toilets	55								55		
Reception	40				40						
Check-in	80				80						
Check-out	40				40						
Copy/work	60				60						
Clinical											
Mammography/Stereotactic	160				160						1
Ultrasound	180				180						1
Prone Biopsy	250				250						
Dexa Bone Density	80				80						1
Sub-Waiting	80				80						
Changing	100				100						
Support Areas											
Storage	80				80						
Clean Utility	110				110						
Soiled Utility	80				80						
EVS	60				60						
Staff Support											
IT/Infrastructure	100									100	
Team Work Station - positions	200				200						
Reading Room	150				150						
Physician Office	120				120						
Tech Room	130				130						
Mammography NSF Total	2,315	0	0	0	2,000		0	0	215	100	
Mammography DGSF Total	3,473	0	0	0	3,000		0	0	323	150	
Office Suite											
Office Suite											
Private Office	1,650							1,650			
Open Work Area	1,980							1,980			
Conference	610							610			
Toilet	130							130			
Kitchenette	130							130			
Storage Alcove	35							35			
Office Suite NSF Total	4,535	0	0	0	0		0	4,535	0	0	

Office Suite DGSF Total	6,803	0	0	0	0		0	6,803	0	0	
All Areas NSF Total	27,340	1,865	360	440	2,860		10,105	6,665	4,645	400	
All Areas DGSF Total	40,688	2,798	528	660	4,249		14,968	9,967	6,928	590	
All Areas BGSF Total	42,706	2,937	554	693	4,460		15,711	10,462	7,271	619	
Circulation		33.3%	31.8%	33.3%	32.7%		32.5%	33.1%	32.9%	32.2%	

ATTACHMENT 14

Section IV, Project Services Utilization

Attachment 15

Appendix B, Project Services Utilization

1. **Project Services Utilization – For Areas for Which There are Utilization Standards as Shown in Appendix B.**

Construction is expected to begin July 31, 2019 and finish in 2020. Equipment loading, testing, installation of furnishings and supplies, and staff training will be completed by 2020, after which operations will begin. Two full years of operation will have occurred by the end of FY22 (June 30, 2022). The following are the clinical areas with utilization standards.

Imaging – Ultrasound

Utilization						
	Dept./Service	**Historical Utilization (Study)**	**Projected Utilization**	**State Standard**	**Meet Standard?**	**Units**
FY17	Imaging (Ultrasound)	947				2
FY18		827				2
FY19			1,342			2
FY20			2,187			2
FY21			3,259		Yes	2
FY22			3,391	3,100	Yes	2

Cardiology, women's care, and mammography will all utilize ultrasound. The addition of obstetrics to the present gynecology practice will contribute to an increase in ultrasound utilization. The experience of UCMC's Hyde Park campus for OB patients is 3.82 ultrasound studies per patient, or a rate of 0.32 per patient. Gynecology patients utilize ultrasound at a much lower rate of .066 per visit. Cardiology patients are a contributor, though in much smaller numbers, and are expected to reach 318 in FY22. Finally, the new mammography service is expected to reach 563 ultrasounds in FY22, or

0.125 per visit, which is UCMC's potential mammography partner's experience in other locations. Patients undergoing a diagnostic mammography if a palpable mass or lesion is discovered will also have an ultrasound study for a more definitive diagnosis. Ultrasound is also used to guide needle biopsies. By FY22, two (2) years after occupying the consolidated MOB, ultrasound volume will reach 3,391, enough to justify two (2) devices at the 3,100 per device standard.

Imaging – Radiographic

Utilization						
	Dept./Service	**Historical Utilization (Study)**	**Projected Utilization**	**State Standard**	**Meet Standard?**	**Units**
FY17	Imaging (Radiographic)					0
FY18						0
FY19						0
FY20						0
FY21		1,190				1
FY22		2,082		8,000	Yes	1

A general radiographic machine is planned for the immediate care service. This is a new service for the consolidated MOB and will occupy the first floor, ground level walk-in center of the new MOB. The need for some general radiographic imaging may arise from the multi-specialty and primary care offices on the second floor, though this is not estimated at this point and the volumes indicated above relate only to immediate care patients.

Imaging – Mammography

Utilization						
	Dept./Service	**Historical Utilization (Study)**	**Projected Utilization**	**State Standard**	**Meet Standard?**	**Units**
FY17	Imaging (Mammography)					0
FY18						0
FY19						0

FY20						0
FY21		3,000				1
FY22		4,500		5,000	Yes	1

There will be one (1) mammography machine. This is a new service for the consolidated MOB. Expected workload is 3,000 exams in FY21 and 4,500 in FY22.

2. Project Size Utilization – For Areas for Which There are Not Utilization Standards as Shown in Appendix B.

The following are clinical areas for which there are not utilization standards.

Imaging – Bone Densitometry

Utilization						
	Dept./Service	**Historical Utilization (Study)**	**Projected Utilization**	**State Standard**	**Meet Standard?**	**Units**
FY15	Bone Densitometry	446				2
FY16		495				2
FY17		727				2
FY18		722				2
FY19			784			2
FY20			852			2
FY21			1,177			1
FY22			1,383	NA	NA	1

Bone densitometry, also called dual-energy x-ray absorptiometry (DEXA), is an imaging study used to measure bone density, often to diagnose osteoporosis, and serves as an estimator of fracture risk. These exams are read and can be interpreted by a radiologist, rheumatologist, and endocrinologist. Clinical risk factors include rheumatoid arthritis, chronic renal or liver disease, respiratory disease, and inflammatory bowel disease. Bone density deficiency is greater in women. A typical exam takes 10 to 30 minutes, using an x-ray device and padded table. Referrals for this imaging would come from the multi-specialty practice, OB/Gyn practice, and mammography. While both of the multi-specialty and gynecological practices at the two existing MOBs each have this device, in

the new consolidated MOB this would be reduced to only one (1) machine. Through FY22, it is expected that workload will reach 1,383, based mainly on the current ratio of DEXA exams to visits.

Sleep Studies

Utilization						
	Dept./Service	**Historical Utilization (Study)**	**Projected Utilization**	**State Standard**	**Meet Standard?**	**Units**
FY15	Sleep Studies	1,043				6
FY16		1,087				6
FY17		1,195				6
FY18		947				6
FY19			1,044			6
FY20			1,044			6
FY21			1,044			4
FY22			1,044	NA	NA	4

Sleep studies have ranged from 947 to 1,195 at UCMC's existing multi-specialty practice in the Huron MOB since FY15. It is expected that this work will be at 1,044 annually going forward. This will fully occupy the four (4) sleep study rooms planned for the new consolidated MOB, one (1) patient per room per night during a five (5) day work week, or 260 days per year (5 x 52 = 260). Presently six (6) rooms are dedicated to this function, but it is expected that four (4) rooms will suffice in the new consolidated MOB.

Laboratories

Laboratory activity at the proposed MOB will be limited to blood draws and small set devices that perform CLIA-waived tests. There will be a 240 nsf room and a 120 nsf room for these activities and also preparing specimens for shipment. Presently the testing and evaluation of specimens are performed at the clinical laboratories at UCMC's main campus in Hyde Park. In FY17 there were 51,994 tests and for FY18 42,435. There is no workload standard for this service.

Infusion Therapy

Utilization						
	Dept./Service	**Historical Utilization (Infusion)**	**Projected Utilization**	**State Standard**	**Meet Standard?**	**Units**
FY17	Infusion Therapy					
FY18						
FY19						
FY20						
FY21			260			2
FY22			520	NA	NA	2

Infusion therapy is a growing service as more treatments are developed, notably for autoimmune diseases (AD). The NIH estimates up to 23.5 million Americans suffer from AD. Women get AD at a rate of 2 to 1 compared to men, or 6.4% of women compared to 2.7% of men. National Center for Biotechnology Information (NCBI) has identified 81 ADs. While causes are not completely understood, infections, exposure to chemicals or solvents, Western diet, and a lack of exposure of children to germs could be factors. The most common ADs include Type 1 diabetes, rheumatoid arthritis, psoriathis/psoriatic arthritis, multiple sclerosis, systemic lupus erythematosus, inflammatory bowel disease, Addison's disease, Graves' disease, Sjogren's syndrome, and Hashimoto's thyroiditis (healthline). The incidence of AD diseases is rising.

Much of infusion therapy consists of treatments for ADs. Increasing numbers of therapies are available and provision is being made in the proposed consolidated MOB for these treatments. In the first full year of operation of UCMC's Orland Park medical office building, there were 474 treatments with 324 in the last six (6) months. Room time ranges from 90 minutes to as much as 420 minutes, depending on the agent being infused. Infusions of these powerful agents must be done slowly to avoid damage to the vein of entry and the kidneys. On average at UCMC's Orland Park medical office building, 2.7 hours per infusion was required. Infusions at the proposed new consolidated MOB are conservatively estimated at 260 the first year and 520 the second.

Because ease of scheduling would be greatly constrained by having only one (1) infusion room, two (2) will initially be provided. Depending on the lifestyle and work situation of the patient and their treatment, there are often preferences for early in the day or late.

Physician Offices Space

SIZE OF PROJECT				
DEPARTMENT/SERVICE	**PROPOSED**	**STATE**		**MET**
	BGSF/DGSF	**STANDARD**	**DIFFERENCE**	**STANDARD ?**
Physician Offices	19,894	NA	NA	NA

While there are standards for space and utilization for hospital clinic areas, this Project is considered physician offices or a medical office building. Services will be provided and reimbursed through physician billing, as they are presently for both of the MOBs to be consolidated into the new MOB.

The first floor will house immediate care for walk-in patients seeking primary, non-emergency service. Six (6) exam rooms are planned with a radiographic room, a triage room, registration, reception, and waiting. Immediate care represents 11% of total space.

The remaining physician offices and imaging are on the second floor. In primary care, there will be six (6) exam rooms, and a procedure room. Typical procedures would be suturing, splinting, hydration, ear wash, injections of medications, and dermatological procedures. The multi-specialty practice will provide care in sixteen (16) exam rooms, the same number as currently operated at the Huron MOB. Specialties presently provided are endocrinology, cardiology, rheumatology, gastroenterology, dermatology, infectious diseases, nephrology, sleep disorders, psychiatry, and surgery. There will be four (4) rooms to infuse medications such as Remicade, Entyvio, and Stelara. These treat such conditions as ulcerative colitis, Crohn's disease, psoriatic arthritis, plaque psoriasis, rheumatoid arthritis, and ankylosing spondylitis. There will be a cardiac stress test room. The present sleep lab will be reduced from six (6) rooms to four (4) in the new location.

The OB/Gyn practice will have ten (10) exam rooms, an ultrasound room, and two (2) procedure rooms, all of which it has presently.

Utilization

Utilization						
	Dept./ Service	**Historical Utilization (Visits)**	**Projected Utilization**	**Units**	**State Standard**	**Meet Standard?**
FY10	Phys. Offices	6,831				
FY11		8,795				
FY12		9,399				
FY13		10,829				
FY14		11,856				
FY15		14,288				
FY16		16,072		16		
FY17		30,224		26		
FY18		26,620		26		
FY19			29,431	26		
FY20			34,049	26		
FY21			45,199	38		Project Complete
FY22			56,093	38		
FY23			60,571	38		
FY24			65,437	38		
FY25			70,728	38		
FY26			76,482	38	NA	NA

While physician offices have no CON standard use rate and are deemed nonreviewable, the following is an explanation of how UCMC determined that thirty-eight (38) exam spaces was an appropriate number. Historical visits shown above consist of the existing Huron MOB and the Lake Shore Drive MOB. FY09 was the first, partial year for the Huron MOB, followed by a full year for FY10. Visits increased steadily from 6,831 in FY10 to 14,417 in FY18, an average annual compounded rate of 9.8% per year. Gynecological visits in the Lake Shore Drive MOB were 14,016 in FY17 (the first year for this practice) followed by 12,203 in FY18. The current gynecological practice at the Lake Shore Drive MOB has ten (10) physician offices and ten (10) are proposed for the new consolidated MOB.

Based on the long term historical growth of UCMC's existing Huron MOB, it is expected that visits for immediate care (six (6) exam spaces) and primary care (six (6) exam spaces) would also experience 9.8% annual growth. Gynecological visits are more conservatively estimated to grow by half this amount, or 4.9% annually. However, with the addition of obstetrical services, it is expected that 6,000 annual visits will be reached by FY22 with a start in FY19. In total, 76,482 visits would be attained by FY24. This is an average of 2,000 visits for the thirty-six (36) proposed exam spaces which is generally considered an efficient rate. As discussed above in this section, the economic and social vitality of Chicago's downtown area and especially in a radius of one (1) mile of the proposed consolidated MOB site, is notably reflected in the surge of residential high rise construction in the recent past and in process for several years ahead. (See map at Attachment 12 depicting this growth). Moreover, the 387,480 people who commute downtown, including 53,420 from the A-3 Planning Area support the expectation for steady growth for this consolidated MOB.

While the desirable 2,000 annual visits per exam space is not reached in the first two (2) years of operation, prudent planning demands a longer period to achieve full capacity utilization. The location is in a high cost, densely populated urban area. The space for the proposed consolidated MOB is located in a mid rise building. As discussed in Section VI, Clinical Service Areas Other than Categories of Service (Attachment 31), there is a recent influx of new residents to the immediate area and an expectation that this growth will continue with additional high rise residential towers being planned. It is expected that high occupancy rates will occur, especially in commercial buildings. The lease being negotiated is for fifteen (15) years, with two (2) renewal options, at UCMC's discretion, of five (5) years each. Given the twenty-five (25) year possible lease term, along with the $29M investment in building costs and equipment, the potential need for future expansion must be taken into account. If fewer physician offices were planned, there is no assurance that adjacent space would be available in the future for expansion. The nature of making significant facility improvements in leased space requires a more lengthy planning view than the first two (2) years of operation. These improvements have a book life of fifteen (15) to twenty (20) years, so a longer view is appropriate.

A letter attesting to the fact that the Project will achieve and maintain the occupancy specified in §1110.234(c)(1) by the second year of operation after project completion is attached.

ATTACHMENT 15

THE UNIVERSITY OF CHICAGO MEDICINE

Sharon O'Keefe
President

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August 7, 2018

Ms. Courtney R. Avery
Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: University of Chicago Medical Center – Downtown MOB Permit Application – Assurance of Occupancy

Dear Ms. Avery:

This letter attests to the fact that if this Project is approved by the Illinois Health Facilities and Services Review Board, The University of Chicago Medical Center understands that it is expected to achieve and maintain the occupancy specified in §1110.234(e)(l) by the second year of operation after project completion. The University of Chicago Medical Center reasonably expects to meet this occupancy.

Sharon O'Keefe
President

Notarization:
Subscribed and sworn to before me
this 7th day of August, 2018

Signature of Notary Public

Seal

"OFFICIAL SEAL"
CASSANDRA COLE
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES 8/3/2021

ATTACHMENT-15

Section VII, Clinical Service Areas Other Than Categories of Service

Attachment 31

Clinical Services Other Than Categories of Service

1. **Indicate Changes by Service.**

Service	# Existing Key Rooms	# Proposed Key Rooms
Ultrasound	2	2
Radiography	0	1
Mammography	0	1
Bone Densitometry	2	1
Sleep Studies	6	4
Laboratories	2	2
Infusion Therapy	0	2
Physician Offices	26	38

2. **Service Modernization.**

The Project is the consolidation of two existing physician offices ("MOBs") – a multi-specialty practice currently located at in the Huron MOB and a gynecological practice currently located in the Lake Shore Drive MOB. The leases for both the Huron MOB and the Lake Shore Drive MOB are in two separate buildings and both will expire and new leased space will be acquired to house the consolidated MOB proposed by this Project. Services such as immediate care and mammography will be added. This is considered a service modernization under Section 1110.270 of the Review Board's rules.

The reason for the consolidation is to achieve the economies of scale of operating in one facility. This allows for staffing flexibility, simplified management, and shared features such as reception, registration kiosks, public rest rooms, staff locker rooms/break rooms, offices, and record filing systems. The new consolidated MOB

will also have street level space which is most appropriate for an immediate care center in terms of public visibility and quick access.

3. **Necessary Expansion.**

The current multi-specialty practice located at the current Huron MOB has existed since 2009, with the first full year of operation being 2010. Since then, annual visits have increased steadily from 6,831 to 14,417 in FY18, an average annual rate of increase of 9.8%. This sustained growth lends confidence that growth will continue and also support an expanded offering of services. There are thirty-seven (37) multi-specialty faculty members in practice at this site, some full-time and the remainder part-time. Expertise and care are provided in cardiology, dermatology, endocrinology, gastroenterology, infectious diseases, nephrology, rheumatology, sleep disorders, surgery, and primary care. Expected new physicians to be added in the near future are in dermatology (1), urology (1), plastic/cosmetic surgery (1) and women's care (1).

The gynecology practice located at the current Lake Shore Drive MOB has been in practice since 2009 and joined University of Chicago Medicine in 2016. Five (5) physicians constitute this practice, with three (3) working full-time at this site. Under consideration is the addition of obstetrics.

The support for these physician offices has many factors. As recently as the 1970's, medical care was concentrated in hospitals where the great majority of care was done in-hospital. As technology and clinical therapies developed and the need for greater cost control grew, more and more care could be provided in ambulatory settings. At UCMC, in 1988 the proportion of outpatient net revenue to total patient net revenue was 21%. Thirty years later, in 2018 this has grown to 48% (i.e. going from one-fifth to nearly one-half). Given the expanding opportunities to deliver care in ambulatory settings, the concept is to offer these services in locations most convenient to patients, rather than concentrating facilities and staff in large campuses. There is an undeniable competitive element to this as well, with hospital systems extending their reach into new areas and free standing hospitals realizing the imperative to join with other hospitals or chains of hospitals to ensure their continued viability.

In recent years, UCMC has undertaken a carefully considered effort to offer services at locations other than only at its main Hyde Park campus. The Review Board has seen this with regard to UCMC's merger with Ingalls Medical Center and Ingalls' well-established network of offsite locations (e.g., Calumet City, Flossmoor, and Tinley Park to name some of Ingalls' larger facilities). In 2013, UCMC, in partnership with Silver Cross Hospital, opened an outpatient cancer center on Silver Cross' New Lenox campus. In 2017, UCMC opened a large MOB in Orland Park. This current proposed Project to consolidate and expand UCMC's existing clinical offerings in downtown Chicago is a continuation of UCMC's effort to ensure ready access for patients to UCMC's expertise and greater convenience, all of which can support UCMC's viability in the decades ahead.

The growth in Chicago's downtown development has several driving forces. Most obviously, for well over a century Chicago has been a major national hub of economic activity with a large, concentrated population. The densest part of which can be found in the center of the city itself. Within the area beginning with the South Loop and north to North Avenue, there is a residential population of 109,361. Within 30 minutes by public transportation and 20 minutes by driving is a population of 783,962. An estimated 387,480 commute to work each day to the six zip code area that includes the site of this Project and comprise the Chicago downtown area. Of these commuters, 53,420 reside in the A-03 area. UCMC, similar to the many other health care providers located in downtown Chicago, would like to make its clinical services convenient for its patients who work downtown. It is more convenient for patients to take a few hours out of the office for a visit to their physician than to take an entire day off.

In recent years, construction cranes have returned in a big way to downtown Chicago. Within a one (1) mile radius of 355 E. Grand Avenue, the proposed site of this Project, are 30,490 condominiums and 21,101 apartments for rent, and a 2017 population of 65,238. Buildings constructed in 2015 to 2017, but still being leased, are comprised of 35 condos and 3,017 rental units. Under construction now are 605 condos and 5,220 rentals. Finally, proposed developments still in planning or in the zoning process represent an impressive 942 condos and 3,056 rental units. In sum, there will be 1,582

new condos and 11,293 rental units, which translates to an estimated 16,351 new residents or a 25.1% growth in condo and rental units since 2015 within a one (1) mile radius of the proposed project site. (Source: MB Real Estate.) In a city and state that have seen their populations decline, this surge in a residential construction activity is remarkable. Underlying this change is a recent relocation of business headquarters into Chicago, young people seeking/finding employment in Chicago and making it their home, and older people choosing to retire and relocate from outer areas into the city.

Under the proposed Project, UCMC proposes the consolidation of its existing downtown physician offices along with an expansion of its offerings. Added services will be a six (6) station immediate care center, a mammography unit, and primary care with six (6) exam rooms. The office and support areas for physicians and staff will be increased. To accommodate these additions, the current 21,343 square feet will be increased to 42,706. UCMC's nine (9) years of experience with its existing Huron MOB has seen a substantial increase in visits and this underlies the plan to expand services in the growing and vital downtown area.

4. <u>Major Medical Equipment</u>.

There is no "major medical equipment" in this Project as that term is defined by Review Board regulations.

5. **Utilization (Services with Utilization Standards).**

Imaging – Ultrasound

Utilization						
	Dept./Service	**Historical Utilization (Study)**	**Projected Utilization**	**State Standard**	**Meet Standard?**	**Units**
FY17	Imaging (Ultrasound)	947				2
FY18		827				2
FY19			1,342			2
FY20			2,187			2
FY21			3,259		Yes	2
FY22			3,391	3,100	Yes	2

Cardiology, women's care, and mammography will all utilize ultrasound and will share two (2) machines. The addition of obstetrics to the present gynecology practice will contribute to an increase in ultrasound utilization. The experience of UCMC's Hyde Park campus for OB patients is 3.82 ultrasound studies per patient, or a rate of 0.32 per patient. Gynecology patients utilize ultrasound at a much lower rate of .066 per visit. Cardiology patients are a contributor, though in much smaller numbers, and are expected to reach 318 in FY22. Finally, the new mammography service is expected to reach 563 ultrasounds in FY22, or 0.125 per visit, which is UCMC's potential joint venture partner's experience in other locations. Patients undergoing a diagnostic mammography when a mass or lesion is discovered will also have an ultrasound study for a more definitive diagnosis. Ultrasound is also used to guide needle biopsies. By FY22, two (2) years after occupying the consolidated MOB, ultrasound volume will reach 3,391, enough to justify two devices at the 3,100 per device standard.

ATTACHMENT 31

Imaging – Radiographic

Utilization						
	Dept./Service	**Historical Utilization (Study)**	**Projected Utilization**	**State Standard**	**Meet Standard?**	**Units**
FY17	Imaging (Radiographic)					0
FY18						0
FY19						0
FY20						0
FY21		1,190				1
FY22		2,082		8,000	Yes	1

A general radiographic machine is planned for the immediate care service. This is a new service for the consolidated MOB and will occupy the first floor, ground level walk-in center of the new consolidated MOB. The need for some general radiographic imaging may arise from the multi-specialty and primary care offices on the second floor, though this is not estimated at this point and the volumes indicated above relate only to immediate care patients.

Imaging – Mammography

Utilization						
	Dept./Service	**Historical Utilization (Study)**	**Projected Utilization**	**State Standard**	**Meet Standard?**	**Units**
FY17	Imaging (Mammography)					0
FY18						0
FY19						0
FY20						0
FY21		3,000				1
FY22		4,500		5,000	Yes	1

There will be one (1) mammography machine. This is a new service for the consolidated MOB. Expected workload is 3,000 exams in FY21 and 4,500 in FY22.

ATTACHMENT 31

6. **Utilization (services without utilization standards)**

Imaging – Bone Densitometry

Utilization						
	Dept./Service	**Historical Utilization (Study)**	**Projected Utilization**	**State Standard**	**Meet Standard?**	**Units**
FY15	Bone Densitometry	446				2
FY16		495				2
FY17		727				2
FY18		722				2
FY19			784			2
FY20			852			2
FY21			1,177			1
FY22			1,383	NA	NA	1

Bone densitometry, also called dual-energy x-ray absorptiometry (DEXA), is an imaging study used to measure bone density, often to diagnose osteoporosis, and serves as an estimator of fracture risk. These exams are read and can be interpreted by a radiologist, rheumatologist, and endocrinologist. Clinical risk factors include rheumatoid arthritis, chronic renal or liver disease, respiratory disease, and inflammatory bowel disease. Bone density deficiency is greater in women. A typical exam takes 10 to 30 minutes, using an x-ray device and padded table. Referrals for this imaging would come from the multi-specialty practice, OB/Gyn practice, and mammography. While both of the multi-specialty and gynecological practices at the two existing MOBs each have this device, in the new consolidated MOB this would be reduced to only one (1) machine. Through FY22, it is expected that workload will reach 1,383, based mainly on the current ratio of DEXA exams to visits.

Sleep Studies

Utilization						
	Dept./Service	**Historical Utilization (Study)**	**Projected Utilization**	**State Standard**	**Meet Standard?**	**Units**
FY15	Sleep Studies	1,043				6
FY16		1,087				6
FY17		1,195				6
FY18		947				6
FY19			1,044			6
FY20			1,044			6
FY21			1,044			4
FY22			1,044	NA	NA	4

Sleep studies have ranged from 947 to 1,195 at UCMC's existing multi-specialty practice in the Huron MOB since FY15. It is expected that this work will be at 1,044 annually going forward. This will fully occupy the four (4) sleep study rooms planned for the new consolidated MOB, one (1) patient per room per night during a five (5) day work week, or 260 days per year (5 x 52 = 260). Presently six (6) rooms are dedicated to this function, but it is expected that four (4) rooms will suffice in the new consolidated MOB.

Laboratories

Laboratory activity at the proposed MOB will be limited to blood draws and small set devices that perform CLIA-waived tests. There will be a 240 nsf room and a 120 nsf room for these activities and also preparing specimens for shipment. Presently the testing and evaluation of specimens are performed at the clinical laboratories at UCMC's main campus in Hyde Park. In FY17 there were 51,994 tests and for FY18 42,435. There is no workload standard for this service.

Infusion Therapy

Utilization						
	Dept./Service	**Historical Utilization (Infusion)**	**Projected Utilization**	**State Standard**	**Meet Standard?**	**Units**
FY17	Infusion Therapy					
FY18						
FY19						
FY20						
FY21			260			2
FY22			520	NA	NA	2

Infusion therapy is a growing service as more treatments are developed, notably for autoimmune diseases (AD). The NIH estimates up to 23.5 million Americans suffer from AD. Women get AD at a rate of 2 to 1 compared to men, or 6.4% of women compared to 2.7% of men. National Center for Biotechnology Information (NCBI) has identified 81 ADs. While causes are not completely understood, infections, exposure to chemicals or solvents, Western diet, and a lack of exposure of children to germs could be factors. The most common ADs include Type 1 diabetes, rheumatoid arthritis, psoriathis/psoriatic arthritis, multiple sclerosis, systemic lupus erythematosus, inflammatory bowel disease, Addison's disease, Graves' disease, Sjogren's syndrome, and Hashimoto's thyroiditis (healthline). The incidence of AD diseases is rising.

Much of infusion therapy consists of treatments for ADs. Increasing numbers of therapies are available and provision is being made in the proposed consolidated MOB for these treatments. In the first full year of operation of UCMC's Orland Park medical office building, there were 474 treatments with 324 in the last six (6) months. Room time ranges from 90 minutes to as much as 420 minutes, depending on the agent being infused. Infusions of these powerful agents must be done slowly to avoid damage to the vein of entry and the kidneys. On average at UCMC's Orland Park medical office building, 2.7 hours per infusion was required. Infusions at proposed new consolidated

MOB are conservatively estimated at 260 the first year and 520 the second. Because ease of scheduling would be greatly constrained by having only one (1) infusion room, two (2) will initially be provided. Depending on the lifestyle and work situation of the patient and their treatment, there are often preferences for early in the day or late. UCMC's experience is that patients who work prefer end of the day so they can recuperate overnight.

Physician Offices

Utilization						
	Dept./ Service	**Historical Utilization (Visits)**	**Projected Utilization**	**Units**	**State Standard**	**Meet Standard?**
FY10	Phys. Offices	6,831				
FY11		8,795				
FY12		9,399				
FY13		10,829				
FY14		11,856				
FY15		14,288				
FY16		16,072		16		
FY17		30,224		26		
FY18		26,620		26		
FY19			29,431	26		
FY20			34,049	26		
FY21			45,199	38		Project Complete
FY22			56,093	38		
FY23			60,571	38		
FY24			65,437	38		
FY25			70,728	38		
FY26			76,482	38	NA	NA

While physician offices have no CON standard use rate and are deemed nonreviewable, the following is an explanation of how UCMC determined that thirty-eight (38) exam spaces was an appropriate number. Historical visits shown above consist of the existing Huron MOB and the Lake Shore Drive MOB. FY09 was the first, partial year for the Huron MOB, followed by a full year for FY10. Visits increased steadily from 6,831 in FY10 to 14,417 in FY18, an average annual compounded rate of 9.8% per year.

Gynecological visits in the Lake Shore Drive MOB were 14,016 in FY17 (the first year for this practice) followed by 12,203 in FY18. Present exam spaces at the Huron MOB and the Lake Shore Drive MOB, sixteen (16) and ten (10) respectively would be provided in the proposed new consolidated MOB.

Based on the long term historical growth of UCMC's existing Huron MOB, it is expected that visits for immediate care (six (6) exam spaces) and primary care (six (6) exam spaces) would also experience 9.8% annual growth. Gynecological visits are more conservatively estimated to grow by half this amount, or 4.9% annually. However, with the addition of obstetrical services, it is expected that 6,000 annual visits will be reached by FY22 with a start in FY19. In total, 76,482 visits would be attained by FY26. This is an average of 2,000 visits for the thirty-eight (38) proposed exam spaces which is generally considered an efficient rate. As discussed above in this section, the economic and social vitality of Chicago's downtown area and especially in a radius of one (1) mile of the proposed consolidated MOB site, is notably reflected in the surge of residential high rise construction in the recent past and in process for several years ahead. (See map at Attachment 12 depicting this growth). Moreover, the 387,480 people who commute downtown, including 53,420 from the A-3 Planning Area support the expectation for steady growth for this consolidated MOB.

	Historical:								
	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Medicine Specialty Clinic	6,831	8,795	9,399	10,829	11,856	14,288	16,072	16,208	14,417
Gynecology Clinic								14,016	12,203
Ancillaries:									
- Ultrasound								947	827
- Sleep Studies	887	1,025	1,153	976	952	1,043	1,087	1,195	947
- Bone Densitometry	107	194	281	294	374	446	495	727	722

	Projected:								
	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27
Medicine Specialty Visits	15,830	17,381	19,085	20,955	23,008	25,263	27,739	30,457	33,442
OB/Gyn Visits	13,602	16,667	19,284	20,809	21,828	22,898	24,021	25,197	26,432
Primary Care Visits			3,415	7,165	7,867	8,638	9,484	10,414	11,434
Immediate Care Visits			3,415	7,165	7,867	8,638	9,484	10,414	11,434
Total Visits	29,432	34,048	45,199	56,093	60,570	65,437	70,728	76,482	82,743
Ancillaries:									
- Ultrasound	1,342	2,187	3,259	3,391	3,630	3,865	4,095	4,300	4,518
- Radiographic			1,190	2,082	2,974	3,344	3,714	4,078	4,478
- Mammography			3,000	4,500	5,176	5,590	5,868	5,868	5,868
- Bone Densitometry	784	852	1,177	1,383	1,528	1,659	1,788	1,904	2,030
- Sleep Studies	1,044	1,044	1,044	1,044	1,044	1,044	1,044	1,044	1,044
- Infusions			260	520	676	743	818	900	990

ATTACHMENT 31

Section VII, Availability of Funds

Attachment 34

Since UCMC has a bond rating of A- or better from Fitch's or Standard and Poor's rating agencies, or A3 or better from Moody's, this Section is not applicable

ATTACHMENT 34

Section VIII, Availability of Funds

Attachment 35

Availability of Funds

UCMC's financial statements for the years June 30, 2015, 2016 and 2017 are attached.

ATTACHMENT 35

KPMG

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidated Financial Statements

June 30, 2016 and 2015

(With Independent Auditors' Report Thereon)

ATTACHMENT 35

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

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ATTACHMENT 35

KPMG LLP
Aon Center
Suite 5500
200 East Randolph Drive
Chicago, IL 60601-6436

Independent Auditors' Report

The Board of Trustees
The University of Chicago Medical Center:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The University of Chicago Medical Center, which comprise the consolidated balance sheet as of June 30, 2016, and the related consolidated statements of operations, consolidated changes in net assets, and consolidated cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the 2016 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The University of Chicago Medical Center as of June 30, 2016, and the

results of their operations and of their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matter

The accompanying consolidated financial statements of The University of Chicago Medical Center as of June 30, 2015 and for the year then ended were audited by other auditors whose report thereon dated October 29, 2015, expressed an unmodified opinion on those financial statements.

KPMG LLP

Chicago, Illinois
October 10, 2016

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidated Balance Sheets

June 30, 2016 and 2015

(In thousands)

Assets		2016	2015
Current assets:			
Cash and cash equivalents	$	20,335	163,969
Patient accounts receivable, net of estimated uncollectibles of $73,746 in 2016 and $51,737 in 2015		288,401	209,736
Current portion of investments limited to use		36,768	5,033
Current portion of malpractice self-insurance receivable		18,289	20,129
Current portion of pledges receivable		1,661	1,102
Prepaids, inventory and other current assets		62,614	43,148
Total current assets		428,068	443,117
Investments limited to use, less current portion		894,808	1,013,224
Property, plant and equipment, net		1,380,132	1,232,784
Pledges receivable, less current portion		2,489	1,522
Malpractice self-insurance receivable, less current portion		99,121	92,571
Other assets, net		22,040	19,350
Total assets	$	2,826,658	2,802,568
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued expenses	$	166,173	127,477
Current portion of long-term debt		13,255	11,535
Current portion of other long-term liabilities		—	197
Current portion of estimated third-party payor settlements		139,429	98,975
Current portion of malpractice self-insurance liability		18,289	20,129
Due to University of Chicago		22,146	59,437
Total current liabilities		359,292	317,750
Other liabilities:			
Worker's compensation self-insurance liabilities, less current portion		6,305	8,174
Malpractice self-insurance liability, less current portion		99,121	92,571
Long-term debt, less current portion		850,252	868,008
Interest rate swap liability		165,417	110,447
Other long-term liabilities, less current portion		30,618	44,071
Total liabilities		1,511,005	1,441,021
Net assets:			
Unrestricted		1,225,616	1,267,336
Temporarily restricted		81,925	86,109
Permanently restricted		8,112	8,102
Total net assets		1,315,653	1,361,547
Total liabilities and net assets	$	2,826,658	2,802,568

See accompanying notes to financial statements.

ATTACHMENT 35

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidated Statements of Operations

June 30, 2016 and 2015

(In thousands)

	2016	2015
Operating revenues:		
Net patient service revenue	$ 1,574,252	1,493,816
Provision for doubtful accounts	84,243	52,166
Net patient service revenue after provision for doubtful accounts	1,490,009	1,441,650
Other operating revenues and net assets released from restrictions used for operating purposes	126,625	101,643
Total operating revenues	1,616,634	1,543,293
Operating expenses:		
Salaries, wages and benefits	698,752	681,909
Supplies and other	427,739	400,536
Physician services from the University of Chicago	215,727	205,461
Insurance	11,324	16,774
Interest	32,940	35,632
Medicaid provider tax	36,110	36,935
Depreciation and amortization	87,603	81,902
Total operating expenses	1,510,195	1,459,149
Operating revenue in excess of expenses	106,439	84,144
Nonoperating gains and losses:		
Investment income (loss) and unrestricted gifts, net	(18,359)	26,788
Derivative ineffectiveness	(2,506)	(567)
Revenue and gains in excess of expenses and losses	85,574	110,365
Other changes in net assets:		
Equity transfers to University of Chicago, net	(72,025)	(70,501)
Net assets released from restriction for capital purchases	—	2,204
Change in accrued pension benefits other than net periodic benefit costs	(4,429)	(8,192)
Effective portion of change in valuation of derivatives	(50,775)	(12,396)
Other, net	(65)	—
Increase (decrease) in unrestricted net assets	$ (41,720)	21,480

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidated Statements of Changes in Net Assets

June 30, 2016 and 2015

(In thousands)

	2016	2015
Unrestricted net assets:		
Revenue and gains in excess of expenses and losses	$ 85,574	110,365
Equity transfers to University of Chicago, net	(72,025)	(70,501)
Net assets released from restriction for capital purchases	—	2,204
Change in accrued pension benefits other than net periodic benefit cost	(4,429)	(8,192)
Effective portion of change in valuation of derivatives	(50,775)	(12,396)
Other, net	(65)	—
Increase (decrease) in unrestricted net assets	(41,720)	21,480
Temporarily restricted net assets:		
Contributions	3,677	2,697
Net assets released from restrictions used for operating purposes	(5,501)	(5,124)
Investment income	(2,425)	2,786
Net assets released from restriction for capital purchases	—	(2,204)
Other, net	65	—
Decrease in temporarily restricted net assets	(4,184)	(1,845)
Permanently restricted net assets:		
Contributions and other	10	10
Change in net assets	(45,894)	19,645
Net assets at beginning of year	1,361,547	1,341,902
Net assets at end of year	$ 1,315,653	1,361,547

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidated Statements of Cash Flows

June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	$ (45,894)	19,645
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net change in unrealized gains and losses on investments	35,951	37,631
Equity transfers to University of Chicago	72,025	70,501
Restricted contributions and investment return	(1,262)	(2,697)
Realized gains on investments	(6,451)	(58,351)
Net change in valuation of derivatives	54,970	14,637
Change in accrued pension benefits other than net period benefit cost and other	4,429	8,192
(Gain) loss on disposal of assets	853	(10)
Provision for doubtful accounts	84,243	52,166
Net assets released from restrictions for operations	5,501	—
Depreciation and amortization	87,603	81,902
Changes in assets and liabilities:		
Patient accounts receivable, net	(162,908)	(77,137)
Other assets	(27,551)	(12,678)
Accounts payable and accrued expenses	6,985	8,398
Due to the University of Chicago	(37,291)	43,676
Estimated settlements with third-party payors	23,267	15,931
Self-insurance liabilities	2,841	(67)
Other liabilities	4,133	(4,943)
Net cash provided from operating activities	101,444	196,796
Cash flows from investing activities:		
Purchases of property, plant and equipment	(234,191)	(109,524)
Change in construction payables	26,892	—
Physician practice acquisitions	(1,447)	—
Purchases of investments	(46,138)	(346,607)
Sales of investments	100,894	370,733
Net cash used in investing activities	(153,990)	(85,398)
Cash flows from financing activities		
Proceeds from issuance of long-term debt	—	74,874
Payments on long-term obligations	(14,824)	(36,064)
Equity transfers to the University of Chicago, net	(72,025)	(70,501)
Net assets released from restriction for operations	(5,501)	—
Restricted contributions and investment return	1,262	4,564
Net cash used in financing activities	(91,088)	(27,127)
Net increase (decrease) in cash and cash equivalents	(143,634)	84,271
Cash and cash equivalents:		
Beginning of year	163,969	79,698
End of year	$ 20,335	163,969

See accompanying notes to consolidated financial statements.

(1) Organization and Basis of Presentation

The University of Chicago Medical Center (UCMC) is an Illinois not-for-profit corporation. UCMC operates the Center for Care and Discovery, the Bernard Mitchell Hospital, the Chicago Lying-In Hospital, the University of Chicago Comer Children's Hospital, the Duchossois Center for Advanced Medicine, the University of Chicago Medicine Care Network, LLC and various other outpatient clinics and treatment areas.

The University of Chicago (the University), as the sole corporate member of UCMC, elects UCMC's Board of Trustees and approves its By-Laws. The UCMC President reports to the University's Executive Vice President for Medical Affairs. The relationship between UCMC and the University is defined in the Medical Center By-Laws, an Affiliation Agreement, an Operating Agreement, and several Leases. See note 3 for agreements and transactions with the University.

UCMC is a tax-exempt organization under Section 501(c) 3 of the Internal Revenue Code. The University of Chicago Medicine Care Network, LLC is awaiting its approval of tax-exempt status.

(2) Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements of UCMC have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. All significant intercompany accounts and transactions have been eliminated in consolidation.

(b) New Accounting Pronouncements

During 2015, UCMC adopted the provisions of Accounting Standards Update (ASU) 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. This pronouncement is effective for fiscal years beginning on or after December 15, 2016, and UCMC elected early adoption in 2015. ASU 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. See note 6 for related fair value disclosures.

(c) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(d) Community Benefits

UCMC's policy is to treat patients in immediate need of medical services without regard to their ability to pay for such services, including patients transferred from other hospitals under the provisions of the Emergency Medical Treatment and Active Labor Act (EMTALA). UCMC also accepts patients through the Perinatal and Pediatric Trauma Networks without regard to their ability to pay for services.

(Continued)

UCMC developed a Financial Assistance Policy (the Policy) under which patients are offered discounts of up to 100% of charges on a sliding scale. The Policy is based both on income as a percentage of the Federal Poverty Level guidelines and the charges for services rendered. The Policy also contains provisions that are responsive to those patients subject to catastrophic healthcare expenses. Since UCMC does not pursue collection of these amounts, they are not reported as net patient service revenue. The cost of providing care under this Policy, along with the unreimbursed cost of government sponsored indigent healthcare programs, unreimbursed cost to support education, clinical research and other community programs for the years ended June 30, 2016 and 2015, are reported in note 5.

(e) Fair Value of Financial Instruments

Fair value is defined as the price that UCMC would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

UCMC uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of UCMC. Inputs refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 – quoted market prices in active markets for identical investments.

Level 2 – inputs other than quoted prices for similar investments in active markets, quoted prices for identical or similar investments in markets that are not active, or inputs other than quoted prices that are observable including model-based valuation techniques.

Level 3 – valuation techniques that use significant inputs that are unobservable because they trade infrequently or not at all.

(f) Cash and Cash Equivalents

Cash equivalents include U.S. Treasury notes, commercial paper, and corporate notes with original maturities of three months or less, excluding investments whose use is limited or restricted.

(g) Inventory

UCMC values inventories at the lower of cost or market, using the first-in, first-out method. During 2016, UCMC changed its non-GAAP policy for recording certain inventory. This change resulted in

an $8,200 increase in inventory at June 30, 2016 and a corresponding $8,200 reduction in supplies and other expense in the accompanying 2016 consolidated statement of operations.

(h) Investments

Investments are classified as trading securities. As such, investment income or loss (including realized or unrealized gains and losses on investments, interest, and dividends) is included in excess of revenues and gains over expenses and losses unless the income is restricted by donor or law.

Investments are recorded in the consolidated financial statements at estimated fair value. If an investment is held directly by UCMC and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. Reported fair values for shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. UCMC's interests in alternative investment funds such as private debt, private equity, real estate, natural resources, and absolute return are generally reported at the net asset value (NAV) reported by the fund managers, which is used as a practical expedient to estimate the fair value, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2016 and 2015, UCMC had no plans to sell investments at amounts different from NAV.

A significant portion of UCMC's investments are part of the University's Total Return Investment Pool (TRIP). UCMC accounts for its investments in TRIP on the fair value method based on its share of the underlying securities and accordingly, records the investment activity as if UCMC owned the investments directly using the fair value option election. The University does not engage directly in unhedged speculative investments; however, the Board of the University of Chicago has authorized the use of derivative investments to adjust market exposure within asset class ranges.

A summary of the inputs used in valuing UCMC's investments as of June 30, 2016 and 2015 is included in note 6.

(i) Endowment Funds with Deficits

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. As of June 30, 2016 and 2015, endowments in deficit positions were $65 and $0, respectively.

(j) Investments limited as to Use

Investments limited as to use primarily include assets held by trustees under debt and other agreements and designated assets set aside by the Board of Trustees for future capital improvements and other specific purposes, over which the Board retains control and may at their discretion subsequently use for other purposes. Investments limited as to use also include investments held under swap collateral posting requirements, investments under the workers' compensation self-insurance trust fund and investments whose use is restricted by donors. Investments limited as to use are reported as unrestricted net assets. Investments whose use is restricted by donors are reported as temporarily restricted or permanently restricted.

(Continued)

(k) Derivative Instruments

UCMC accounts for derivatives and hedging activities in accordance with ASC No. 815, *Derivatives and Hedging*, which requires that all derivative instruments be recorded as either assets or liabilities in the balance sheet at their respective fair values.

For hedging relationships, UCMC formally documents the hedging relationship and its risk management objective and strategy for understanding the hedge, the hedging instrument, the nature of the risk being hedged, how the hedging investment's effectiveness in offsetting the hedged risk will be assessed, and a description of the method for measuring ineffectiveness. This process includes linking all derivatives that are presented as cash flow hedges to specific assets and liabilities in the balance sheet.

(l) Property, Plant and Equipment

Property, plant and equipment are reported on the basis of cost less accumulated depreciation and amortization. Depreciation of property, plant and equipment is calculated by use of the straight-line method at rates intended to depreciate the cost of assets over their estimated useful lives, which generally range from three to eighty years. Interest costs incurred during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets with explicit restrictions by donors that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

UCMC periodically assesses the recoverability of long-lived assets (including property, plant, and equipment) when indications of potential impairment, based on estimated, undiscounted future cash flows exist. Management considers factors such as current results, trends, and future prospects, in addition to other economic factors, in determining whether there is an impairment of the asset.

(m) Asset Retirement Obligation

UCMC recognizes a liability for the fair value of a legal obligation to perform asset retirement activities in which the timing or method of settlement are conditional on a future event if the amount can be reasonably estimated. Upon recognition of a liability, the asset retirement cost is recorded as an increase in the carrying value of the related long-lived asset and then depreciated over the life of the asset. The UCMC asset retirement obligations arise primarily from regulations that specify how to dispose of asbestos if facilities are demolished or undergo major renovations or repairs. UCMC's obligation to remove asbestos was estimated using site-specific surveys where available and a per square foot estimate where surveys were unavailable.

(n) Other Assets and Liabilities

Other assets and liabilities, including deferred financing costs, which are amortized over the term of the related obligations, do not differ materially from their estimated fair value.

(Continued)

(o) Net Assets

Net assets are classified as either permanently or temporarily restricted when the use of the assets is limited by outside parties or as unrestricted net assets when outside parties place no restrictions on the use of the assets or when the assets arise as a result of the operations of UCMC.

Unconditional promises to give cash and other assets to UCMC are reported at fair value at the date the promise is received. Pledges receivable to be collected after one year are discounted using a risk-adjusted interest rate at the time the pledge is made. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limits the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported as operating revenue in the statements of operations if restricted for operating purposes and as an increase to unrestricted net assets if restricted to purchase property, plant, and equipment. Gifts for which donors have not stipulated restrictions, as well as contributions for which donors have not stipulated restrictions, as well as contributions for which donors have stipulated restrictions that are met within the same reporting period, are reported as other operating revenue.

(p) Statement of Operations

All activities of UCMC deemed by management to be ongoing, major and central to the provision of healthcare services are reported as operating revenues and expenses.

The consolidated statement of operations includes revenue and gains in excess of expenses and losses. Changes in unrestricted net assets that are excluded from revenue and gains in excess of expenses and losses include transfers to the University, contributions of long-lived assets released from restrictions (including assets acquired using contributions which by donor restriction were to be used for acquisition of UCMC assets), the effective portion of changes in the valuation of derivatives, and change in accrued pension benefits other than net periodic benefit costs and other.

(q) Net Patient Service Revenue, Accounts Receivable and Allowance for Doubtful Accounts

UCMC maintains agreements with the Centers for Medicare and Medicaid Services under the Medicare Program, Blue Cross and Blue Shield of Illinois, Inc. (Blue Cross), and the State of Illinois under the Medicaid Program and various managed care payors that govern payment to UCMC for services rendered to patients covered by these agreements. The agreements generally provide for per case or per diem rates or payments based on allowable costs, subject to certain limitations, for inpatient care and discounted charges or fee schedules for outpatient care.

Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered and include estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and UCMC estimates are adjusted in future periods as adjustments become known or as years are no longer subject to UCMC

(Continued)

audits, reviews and investigations. Adjustments to prior year estimates for these items resulted in an increase in net patient service revenues of $3,874 in 2016 and $900 in 2015. Contracts, laws and regulations governing Medicare, Medicaid, and Blue Cross are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. A portion of the accrual for settlements with third-party payors has been classified as long-term because UCMC estimates they will not be paid within one year.

The process for estimating the ultimate collectibility of receivables involves significant assumptions and judgment. UCMC has implemented a standardized approach to this estimation based on the payor classification and age of outstanding receivables. Account balances are written off against the allowance when management feels it is probable the receivable will not be recovered. The use of historical collection experience is an integral part of the estimation of the reserve for doubtful accounts. Revisions in the reserve for doubtful accounts are recorded as adjustments to the provision for doubtful accounts.

(r) Hospital Assessment Program/Medicaid Provider Tax

In December 2008, the State of Illinois, after receiving approval by the federal government, implemented a hospital assessment program. The program assessed hospitals a provider tax based on occupied bed days and provided increases in hospitals' Medicaid payments. In 2016, reimbursement under the assessment programs resulted in a net increase of $29,190 in operating income, which includes $65,300 in Medicaid payments included in net patient service revenue offset by $36,110 in Medicaid provider tax expense. In 2015, reimbursement under the program resulted in a net increase of $28,465 in income from operations, which included $65,400 of incremental Medicaid payments included in net patient service revenue offset by $36,935 in Medicaid provider tax expense.

(s) Affordable Care Act (ACA)

In March 2010, the federal government passed the Affordable Care Act (ACA), which expanded Medicaid coverage to millions of low-income Americans and made improvements to both the Medicaid and the Children's Health Insurance Program. Beginning in 2014, coverage for newly eligible adults would be funded by the federal government for three years. UCMC recognized $14,300 and $16,800 of net patient service revenue in 2016 and 2015, respectively, under this new law. Due to the timing of actual payments, UCMC recorded a receivable of $4,000 as of June 30, 2016.

(t) Income Taxes

UCMC is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The University of Chicago Medicine Care Network, LLC is awaiting its approval of tax-exempt status.

UCMC applies ASC No. 740, Income Taxes (ASC 740), which clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements. ASC 740 prescribes a more-likely than-not recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken. Under ASC 740, tax positions are

evaluated for recognition, derecognition, and measurement using consistent criteria and provide more information about the uncertainty in income tax assets and liabilities. As of June 30, 2016 and 2015, UCMC and affiliates do not have an asset or liability recorded for unrecognized tax positions.

(u) Reclassifications

Certain 2015 amounts have been reclassified to conform to the 2016 consolidated financial statement presentation.

(v) Subsequent Events

On October 1, 2016, UCMC acquired Ingalls Health System, an independent health system serving Chicago's south suburbs, through an affiliation and member substitution. As a result of this transaction, Ingalls Health System became a wholly owned subsidiary of UCMC through a newly created Community Health and Hospital Division of UCMC. The results of operations for Ingalls Health System will be included in UCMC's consolidated financial statements from the date of acquisition.

UCMC has performed an evaluation of subsequent events through October 10, 2016, which is that date the consolidated financial statements were issued and other than noted above, there were no other items to disclose.

(3) Agreements and Transactions with the University

The Affiliation Agreement with the University provides, among other things, that all members of the medical staff will have academic appointments in the University. The Affiliation Agreement has an initial term of 40 years ending October 1, 2026 unless sooner terminated by mutual consent or as a result of a continuing breach of a material obligation therein or in the Operating Agreement. The Affiliation Agreement automatically renews for additional successive 10-year terms following expiration of the initial term, unless either party provides the other with at least two years' prior written notice of its election not to renew.

The Operating Agreement, as amended, provides, among other things, that the University gives UCMC the right to use and operate certain facilities. The Operating Agreement is coterminous with the Affiliation Agreement.

The Lease Agreements provide, among other things, that UCMC will lease from the University certain of the health care facilities and land that UCMC operates and occupies. The Lease Agreements are coterminous with the Affiliation Agreement.

UCMC purchases various services from the University, including certain employee benefits, utilities, security, telecommunications and insurance. In addition, certain UCMC accounting records are maintained by the University. During the years ended June 30, 2016 and 2015, the University charged UCMC approximately $29,100 and $29,000, respectively, for utilities, security, telecommunications, insurance and overhead.

The University's Division of Biological Sciences (BSD) provides physician services to UCMC. In 2016 and 2015, UCMC recorded $215,727 and $205,461, respectively, in expense related to these services.

(Continued)

UCMC's Board of Trustees adopted a plan of support under which it would provide annual net asset transfers to the University for support of academic programs in biology and medicine. All commitments under this plan are subject to the approval of UCMC's Board of Trustees and do not represent legally binding commitments until that approval. Unpaid portions of commitments approved by the UCMC Board of Trustees are reflected as current liabilities. UCMC recorded net asset transfers of $71,750 in 2016 and 2015 for this support.

(4) Third-Party Reimbursement Programs

UCMC follows the provisions of Accounting Standards Update 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. ASU 2011-07 requires that entities that recognize significant amounts of patient service revenue at the time the services are rendered even though they do not assess the patient's ability to pay must present the provision for bad debts related to patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts) on their consolidated statements of operations. In addition, there are enhanced disclosures about the entity's policies for recognizing revenue and assessing bad debts. The ASU also requires disclosures of patient service revenue as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. The provision for doubtful accounts on the accompanying consolidated statements of operations for the years ended June 30, 2016 and 2015 have been presented on a separate line as a deduction from net patient service revenue (net of contractual allowances and discounts) to reflect the application of ASU 2011-07.

UCMC has agreements with third-party payors that provide for reimbursement at amounts different from their established rates. Estimated contractual adjustments arising under third-party reimbursement programs principally represent the differences between UCMC's billings at list price and the amounts reimbursed by Medicare, Blue Cross, and certain other contracted third-party payors; the difference between the UCMC's billings at list price and the allocated cost of services provided to Medicaid patients; and any differences between estimated third-party reimbursement settlements for prior years and subsequent final settlements. A summary of the reimbursement methodologies with major third-party payors is as follows:

(a) Medicare

UCMC is paid for various services rendered to Medicare program beneficiaries under prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. The prospectively determined rates are not subject to retroactive adjustment. UCMC's classification of patients under the prospective payment systems and the appropriateness of the patients' admissions are subject to validation reviews.

Other services rendered to Medicare beneficiaries are reimbursed based upon a combination of prospectively determined rates and cost reimbursement methodologies. For the cost reimbursement, UCMC is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by UCMC and audits by the Medicare fiscal intermediary. UCMC's Medicare reimbursement reports through June 30, 2012 have been audited by the Medicare fiscal intermediary.

(b) Medicaid

UCMC is paid for inpatient acute care services rendered to Medicaid program beneficiaries under prospectively determined rates-per-discharge. For inpatient acute care services, payment rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Medicaid outpatient services are reimbursed based on fee schedules. Medicaid reimbursement methodologies may be subject to periodic adjustment, as well as to changes in existing payment levels and rates, based on the amount of funding available to the State of Illinois Medicaid program and any such changes could have a significant effect on UCMC's revenue.

(c) Blue Cross

UCMC also participates as a provider of healthcare services under reimbursement agreements with Blue Cross under its indemnity program. The provisions of the agreements stipulate that services will be reimbursed at a tentative reimbursement rate and that final reimbursement for these services is determined after the submission of an annual cost report by UCMC and a review by Blue Cross. The Blue Cross reimbursement reports for 2015 and prior years have been reviewed by Blue Cross.

(d) Other

UCMC has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements is negotiated by UCMC and includes prospectively determined rates-per-discharge, discounts from established charges, and prospectively determined per diem rates.

Accruals for settlements with third-party payors are made based on estimates of amounts to be received or paid under the terms of the respective contracts and related settlement principles and regulations of the federal Medicare program, the Illinois Medicaid program, and the Blue Cross Plan of Illinois.

Patients' accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of patients' accounts receivable, UCMC analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for uncollectible accounts receivable. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, UCMC analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for accounts receivable, if necessary. For receivables associated with patient responsibility (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the patients are screened against UCMC's charity care policy. For any remaining patient responsibility balance, UCMC records a provision for uncollectible accounts receivable in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

(Continued)

(Dollars in thousands)

UCMC's allowance for uncollectible accounts, which includes uninsured patients, residual copayments and deductibles for which managed care has already paid, and certain aged Medicaid and Medicaid managed care accounts receivable, increased from 19.8% of accounts receivable at June 30, 2015 to 20.4% of accounts receivable at June 30, 2016. Gross write-offs increased from approximately $128,600 for fiscal year 2015 to $146,200 in fiscal year 2016. UCMC did not have significant write-offs from third-party payors.

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the period from these major payor sources, is as follows:

	2016	2015
Medicare	$ 369,511	337,188
Medicaid	272,302	280,673
Managed care	911,886	860,632
Patients and other	20,553	15,323
Net patient service revenue before provision for doubtful accounts	$ 1,574,252	1,493,816

UCMC grants credit without collateral to their patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors as of June 30, 2016 and 2015 are as follows:

	2016	2015
Medicare	11.1%	11.3%
Medicaid	27.9%	28.1%
Managed care	60.8%	60.4%
Patients and other	0.2%	0.2%
	100.0%	100.0%

A summary of UCMC's utilization percentages based upon gross patient service revenue is as follows:

	2016	2015
Medicare	37.2%	36.3%
Medicaid	23.7%	23.5%
Managed care	37.8%	38.9%
Patients and other	1.3%	1.3%
	100.0%	100.0%

(Continued)

(Dollars in thousands)

(5) Community Benefits

The following is a summary of UCMC's unreimbursed cost of providing care, as defined under their Financial Assistance Policy, along with the unreimbursed cost of government sponsored indigent healthcare programs, unreimbursed cost to support education, clinical research and other community programs for the years ended June 30, 2016 and 2015:

	Year ended June 30	
	2016	2015
Uncompensated care:		
Medicaid sponsored indigent healthcare	$ 72,619	56,302
Medicare sponsored indigent healthcare – cost report	94,965	94,872
Medicare sponsored indigent healthcare – physician services	11,145	16,889
Total uncompensated care	178,729	168,063
Charity care	36,230	27,987
	214,959	196,050
Unreimbursed education and research:		
Education	65,632	64,020
Research	48,000	48,000
Total unreimbursed education and research	113,632	112,020
Total community benefits	$ 328,591	308,070

UCMC determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries, wages, and benefits, supplies, and other operating expenses, based on data from its costing system to determine a cost-to-charge ratio. The cost to charge ratio is applied to the charity care charge to calculate the charity care amount reported above. UCMC amended their financial assistance policy in 2016 to remain in compliance with federal and state regulations.

(Continued)

(Dollars in thousands)

(6) Investments Limited as to Use

The composition of investments limited as to use is as follows at June 30 2016 and 2015:

	2016				
	Endowments				
	Separately invested	TRIP	Other	Total	2015
Investments carried at fair value:					
Cash equivalents	$ 1,183	13,090	119	14,392	23,027
Global public equities	72,891	146,021	—	218,912	236,930
Private debt	—	33,297	—	33,297	31,372
Private equity:					
U.S. Venture capital	1,637	34,745	—	36,382	42,929
U.S. Corporate finance	—	28,994	—	28,994	36,875
International	135	37,216	—	37,351	42,357
Real assets:					
Real estate	—	43,056	—	43,056	50,933
Natural resources	—	42,660	—	42,660	51,676
Absolute return:					
Equity oriented	—	71,437	—	71,437	70,046
Global macro/relative value	—	47,520	—	47,520	56,579
Multistrategy	—	53,981	—	53,981	58,065
Credit-oriented	—	33,928	—	33,928	34,386
Protection-oriented	—	13,036	—	13,036	14,945
Fixed income:					
U.S. Treasuries, including TIPS	—	28,679	—	28,679	56,468
Other fixed income	138,052	38,381	—	176,433	190,216
Funds in trust	—	—	51,518	51,518	21,453
Total investments	$ 213,898	666,041	51,637	931,576	1,018,257

Investments classified as other consist of construction and debt proceeds to pay interest, donor restricted, worker's compensation, self-insurance, and trustee-held funds. Investments limited as to use are classified as current assets to the extend they are available to meet current liabilities. Investments are presented in the consolidated financial statements as follows:

	2016	2015
Current portion of investments limited to use	$ 36,768	5,033
Investments limited to use, less current portion	894,808	1,013,224
Total investments limited to use	$ 931,576	1,018,257

(Dollars in thousands)

A summary of investments limited as to use for the years ended June 30 is as follows:

		2016	2015
Investments limited as to use:			
By the board for capital improvements/restricted by donors	$	214,017	222,434
Funds held by custodian/trustee under indenture agreements		69	3
Funds held by trustee for self-insurance		14,749	16,419
Collateral for interest rate swap		36,700	5,030
TRIP investments		666,041	774,371
Total investments limited as to use	$	931,576	1,018,257

The composition of net investment income is as follows for the years ended June 30:

		2016	2015
Interest and dividend income, net	$	11,141	12,567
Realized gains on sales of securities		6,451	52,460
Unrealized losses on securities		(35,951)	(38,239)
	$	(18,359)	26,788

Outside of TRIP, UCMC also invests in private equity limited partnerships. As of June 30, 2016, UCMC has commitments of $1,700 remaining to fund private equity limited partnerships.

Fair Value of Financial Instruments

The overall investment objective of UCMC is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. UCMC diversifies its investments among various asset classes incorporating multiple strategies and external investment managers, including the University Investment Office. Major investment decisions for investments held in TRIP and managed by the University are authorized by the University Board of Trustee's Investment Committee, which oversees the University's investment program in accordance with established guidelines.

The carrying amount reported in the consolidated statements of financial position for the following approximates fair value because of the short maturities of these instruments: cash and cash equivalents, accounts payable and accrued expenses, and estimated payables under third-party reimbursement programs. Cash equivalent investments include cash equivalents and fixed-income investments, with maturities of less than one year, which are valued based on quoted market prices in active markets. The majority of these investments are held in U.S. money market accounts. Global public equity investments consist of separate accounts, commingled funds with liquidity ranging from daily to monthly, and limited partnerships. Securities held in separate accounts and daily traded commingled funds are generally valued based on quoted market prices in active markets. Commingled funds with monthly liquidity are valued based on

(Continued)

independently determined NAV. Limited partnership interests in equity-oriented funds are valued based upon NAV provided by external fund managers.

Investments in private debt, private equity, real estate, and natural resources are in the form of limited partnership interests, which typically invest in private securities for which there is no readily determinable market value. In these cases, market value is determined by external managers based on a combination of discounted cash flow analysis, industry comparables, and outside appraisals. Where private equity, real estate, and natural resources managers hold publicly traded securities, these securities are generally valued based on market prices. The value of the limited partnership interests are held at the manager's reported NAV, unless information becomes available indicating the reported NAV may require adjustment. The methods used by managers to assess the NAV of these external investments vary by asset class. The University's Investment Office on behalf of UCMC monitors the valuation methodologies and practices of managers.

The absolute return portfolio comprises investments of limited partnership interests in hedge funds and drawdown private equity style partnerships whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. The majority of the underlying holdings are marketable securities. The remainder of the underlying holdings is held in marketable securities that trade infrequently or in private investments, which are valued by the manager on the basis of an appraised value, discounted cash flow, industry comparables, or some other method. Most hedge funds that hold illiquid investments designate them in special side pockets, which are subject to special restrictions on redemption.

Fixed-income investments consist of directly held actively traded treasuries, separately managed accounts, commingled funds, and bond mutual funds that hold securities, the majority of which have maturities greater than one year. These are valued based on quoted market prices in active markets.

Funds in trust investments consist primarily of project construction funds and worker's compensation trust funds. Funds in trust comprise 72% cash and cash equivalents, 16% fixed income investments and 12% equity investments at June 30, 2016 and comprised 26% cash and cash equivalents, 44% fixed income securities and 30% equity investments at June 30, 2015.

(Dollars in thousands)

UCMC believes that the reported amount of its investments is a reasonable estimate of fair value as of June 30, 2016 and 2015. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed. Assets and liabilities recorded at fair value as of June 30, 2016 and 2015 were as follows:

Assets		Quoted prices in Active Markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	2016 Total fair value
Cash and cash equivalents	$	20,335	—	—	20,335
Investments:					
Cash equivalents		14,392	—	—	14,392
Global public equities		96,930	4,104	—	101,034
Real assets:					
Real estate		3,163	—	—	3,163
Absolute return:					
Equity oriented		—	4,702	—	4,702
Global macro/relative value		7,979	2,417	—	10,396
Fixed income:					
U.S. Treasuries, including TIPS	$	28,679	—	—	28,679
Other fixed income		165,294	—	—	165,294
Funds in trust		51,518	—	—	51,518
Investments measured at net asset value [1]			—	—	552,398
Total investments at fair value		388,290	11,223	—	951,911
Other assets		5,850	—	—	5,850
Total assets at fair value	$	394,140	11,223	—	957,761
Liabilities					
Interest rate swap payable	$	—	165,417	—	165,417
Total liabilities at fair value	$	—	165,417	—	165,417

(Continued)

(Dollars in thousands)

Assets		Quoted prices in Active Markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	2015 Total fair value
Cash and cash equivalents	$	163,969	—	—	163,969
Investments:					
Cash equivalents		23,027	—	—	23,027
Global public equities		112,815	3,579	—	116,394
Real assets:					
Real estate		2,123	—	—	2,123
Natural resources		3,300	—	—	3,300
Absolute return:					
Equity oriented [2]		—	9,245	—	9,245
Global macro/relative value		10,074	—	—	10,074
Fixed income:					
U.S. Treasuries, including TIPS	$	56,468	—	—	56,468
Other fixed income		176,136	—	—	176,136
Funds in trust		21,453	—	—	21,453
Investments measured at net asset value [1]		—	—	—	600,037
Total investments at fair value		569,365	12,824	—	1,182,226
Other assets		5,216	—	—	5,216
Total assets at fair value	$	574,581	12,824	—	1,187,442
Liabilities					
Interest rate swap payable	$	—	110,447	—	110,447
Total liabilities at fair value	$	—	110,447	—	110,447

[1] Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the balance sheets.

[2] UCMC re-evaluated the application of the definition of readily determinable fair value in accordance with ASU 2015-10, *Technical Corrections and Improvements*, and has corrected the classification of an investment totaling $9,245 previously shown as investments held at NAV. These investments are now classified as level 2 investments in the 2015 table. Management assessed the effect of the correction on the 2015 financial statements, and determined it to be immaterial.

During 2016, there were no transfers between investment Levels 1 and 2 or between Levels 2 and 3. The interest rate swap arrangement has inputs, which can generally be corroborated by market data and is therefore classified within Level 2.

In addition, investment securities are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of UCMC's investments could occur in the next term and that such changes could materially affect the amounts reporting in the consolidated financial statements. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while UCMC believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The significant unobservable inputs used in the fair value measurement of UCMC's long-lived partnership investments include a combination of cost, discounted cash flow analysis, industry comparables and outside appraisals. Significant changes in any inputs used by investment managers in determining net asset values in isolation would result in a significant changes in fair value measurement.

(Continued)

UCMC has made investments in various long-lived partnerships and, in other cases, has entered into contractual agreements that may limit its ability to initiate redemptions due to notice periods, lockups and gates. Details on typical redemption terms by asset class and type of investment are provided below:

	Remaining life	Redemption terms	Redemption restrictions and terms
Cash	N/A	Daily	None
Global public equities:			
Commingled funds	N/A	Daily to triennial with notice periods of 2 to 180 days	Lock-up provisions for up to 3 years, some investments have a portion of capital held in side pockets with no redemptions permitted
Partnerships	N/A	Monthly to biennial with notice periods of 7 to 90 days	Lock-up provisions for up to 4 years, some investments have a portion of capital held in side pockets with no redemptions permitted
Separate accounts	N/A	Daily with notice periods of 1 to 7 days	Lock-up provisions ranging for up to 1 year
Private debt:			
Drawdown partnerships	1 to 11 years	Redemptions not permitted	N/A
Partnerships	N/A	Redemptions not permitted	Capital held in side pockets with no redemption permitted
Private equity:			
Drawdown partnerships	1 to 21 years	Redemptions not permitted	N/A
Separate accounts	N/A	Daily with notice period of 1 day	None
Partnerships	N/A	Semi-annual with notice period of 90 days	A portion of capital is held in side pockets with no redemption permitted
Real estate:			
Drawdown partnerships	1 to 16 years	Redemption not permitted	N/A
Separate accounts	N/A	Daily with notice period of 5 days	None
Natural resources:			
Drawdown partnerships	1 to 17 years	Redemption not permitted	N/A
Commingled funds	N/A	Daily with notice period of 1 day	None

(Continued)

	Remaining life	Redemption terms	Redemption restrictions and terms
Absolute return:			
Commingled funds	N/A	Daily to triennial with notice periods of 1 to 122 days	Lock-up provisions for up to 3 years, some investments have a portion of capital held in side pockets with no redemptions permitted
Drawdown partnerships	1 to 4 years	Redemptions not permitted	N/A
Partnerships	N/A	Quarterly to triennial with notice periods of 45 to 180 days	Lock-up provisions for up to 5 years, some investments have a portion of capital held in side pockets with no redemptions permitted
Fixed income:			
Commingled funds	N/A	Weekly to monthly with notice periods of 5 to 10 days	None
Separate accounts	N/A	Daily to monthly with notice periods of 1 to 30 days	None
Funds in Trust	N/A	Daily	None

(7) Endowments

UCMC's endowments consists of individual donor restricted endowment funds and board-designated endowment funds for a variety of purposes plus the following where the assets have been designated for endowment: pledges receivable, split interest agreements, and other net assets. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. The net assets associated with endowment funds including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Illinois is governed by the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA). The Board of Trustees of UCMC has interpreted UPMIFA as sustaining the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, UCMC classifies as permanently restricted net assets, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by UCMC in a manner consistent with the standard of prudence prescribed by UPMIFA.

(Continued)

(Dollars in thousands)

UCMC has the following donor-restricted endowment activities during the years ended June 30, 2016 and 2015 delineated by net asset class:

	Unrestricted Funds functioning	Temporarily restricted	Permanently restricted	2016 Total
Endowment net assets, beginning of year	$ 914,479	73,568	8,092	996,139
Investment return:				
Investment income	16,383	737	0	17,120
Net appreciation (realized and unrealized)	(34,742)	(3,162)	0	(37,904)
Total investment return	(18,359)	(2,425)	0	(20,784)
Gifts and other additions	0	0	10	10
Appropriation of endowment assets for expenditure	(44,622)	(4,229)	0	(48,851)
Appropriation of endowment assets for capital	(50,000)	0	0	(50,000)
Other	2,939	487	—	3,426
Endowment net assets, end of year	$ 804,437	67,401	8,102	879,940

	Unrestricted Funds functioning	Temporarily restricted	Permanently restricted	2015 Total
Endowment net assets, beginning of year	$ 921,696	74,468	8,082	1,004,246
Investment return:				
Investment income	40,491	907	0	41,398
Net appreciation (realized and unrealized)	(13,703)	1,879	0	(11,824)
Total investment return	26,788	2,786	0	29,574
Gifts and other additions	32,000	0	10	32,010
Appropriation of endowment assets for expenditure	(43,486)	(4,095)	0	(47,581)
Appropriation of endowment assets for capital	(24,808)	0	0	(24,808)
Other	2,289	409	0	2,698
Endowment net assets, end of year	$ 914,479	73,568	8,092	996,139

(Continued)

(Dollars in thousands)

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets (Endowments only) as of June 30, 2016 and 2015:

	Perpetual	Time-restricted by donor	Time-restricted by law	2016 Total
Restricted for pediatric healthcare	$ 1,865	—	15,760	17,625
Restricted for adult healthcare	1,925	—	49,412	51,337
Restricted for educational and scientific programs	4,312	—	2,229	6,541
	$ 8,102	—	67,401	75,503

	Perpetual	Time-restricted by donor	Time-restricted by law	2015 Total
Restricted for pediatric healthcare	$ 1,855	—	17,409	19,264
Restricted for adult healthcare	1,926	—	53,481	55,407
Restricted for educational and scientific programs	4,311	—	2,678	6,989
	$ 8,092	—	73,568	81,660

Investment and Spending Policies

UCMC has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. UCMC expects its endowment funds over time, to provide an average rate of return of approximately 6% annually. To achieve its long-term rate of return objectives, UCMC relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). Actual returns in any given year may vary from this amount.

For endowments invested in TRIP, the Board of Trustees of UCMC has adopted the University's method to be used to appropriate endowment funds for expenditure, including following the University's payout formula. The University utilizes the total return concept in allocating endowment income. In accordance with the University's total return objective, between 4.5% and 5.5% of a 12-quarter moving average of the fair value of endowment investments, lagged by one year, is available each year for expenditure in the form of endowment payout. The exact payout percentage, which is set each year by the Board of Trustees with the objective of a 5% average payout over time, was 5.5% for the fiscal years ended June 30, 2016 and 2015. If endowment income received is not sufficient to support the total return objective, the balance is provided from capital gains. If income received is in excess of the objective, the balance is reinvested in the endowment.

(Continued)

(Dollars in thousands)

For endowments invested apart from TRIP, UCMC calculates a payout of 4% annually on a rolling 24-month average market value. In establishing this policy, the Board considered the expected long term rate of return on its endowment.

(8) Property, Plant and Equipment

The components of property, plant and equipment as of June 30 are as follows:

	2016	2015
Land and land rights	$ 36,008	36,008
Buildings and improvements	1,417,450	1,385,018
Equipment	524,676	512,531
Construction in progress	197,346	55,238
	2,175,480	1,988,795
Less accumulated depreciation	(795,348)	(756,011)
Total property, plant and equipment, net	$ 1,380,132	1,232,784

UCMC's net property, plant and equipment cost includes $9,200 and $9,700 at June 30, 2016 and 2015 representing assets under capital leases with the University. The cost of buildings that are jointly used by the University and UCMC is allocated based on the lease provisions. In addition, land and land rights includes $15,000 and $16,400 for 2016 and 2015, respectively, which represents the unamortized portion of initial lease payments made to the University.

A new parking garage was placed into service in 2015 with a total cost of $79,500; approximately $47,200 was spent in 2015 related to the structure. Capitalized interest costs in 2016 and 2015 were $3,200 and $300, respectively. Construction in progress consists primarily of the Center for Care and Discovery expansion, the Orland Park Ambulatory Center construction, and various other renovation projects. As of June 30, 2016, UCMC had total contractual commitments associated with ongoing capital projects of approximately $51,600.

(Continued)

(Dollars in thousands)

(9) Long-Term Debt

Long-term debt as of June 30 consists of the following:

	Final fiscal year maturity	Interest rate	2016	2015
Fixed rate:				
Illinois finance authority:				
Series 2009A and B	2027	5.0	$ 138,915	148,480
Series 2009C	2037	4.7	60,900	60,900
Series 2009D-1 and 2 (synthetically fixed rate)	2044	3.9	70,000	70,000
Series 2009E-1 and 2 (synthetically fixed rate)	2044	3.9	70,000	70,000
Series 2010 A and B (synthetically fixed rate)	2045	3.9	92,500	92,500
Series 2011 A and B (synthetically fixed rate)	2045	3.9	92,500	92,500
Series 2011C	2042	5.5	90,000	90,000
Series 2012A	2037	4.7	66,565	68,535
Series 2015A	2029	5.0	21,895	21,895
Unamortized premium			10,804	12,016
Total fixed rate			714,079	726,826
Variable rate:				
Series 2013A	2020	0.9	73,757	75,000
Illinois Educational Facilities Authority (IEFA)	2038	0.5	75,671	77,717
Total variable rate			149,428	152,717
Total notes and bonds payable			863,507	879,543
Less current portion of long-term debt			(13,255)	(11,535)
Long-term portion of debt			$ 850,252	868,008

The fair value of long-term debt is based on the pricing of fixed-rate bonds of market participants, including assumptions about the present value of current market interest rates, and loans of comparable quality and maturity. The fair value of long-term debt would be a Level 2 hierarchy. The carrying value of long-term debt is below the estimated fair value of the debt by $44,500 and $27,400 as of June 30, 2016 and June 30, 2015, respectively, based on the quoted market prices for the same or similar issues.

(Dollars in thousands)

Scheduled annual repayments for the next five years and thereafter are as follows at June 30:

	Amount
Year:	
2017	$ 13,255
2018	13,868
2019	14,513
2020	15,208
2021	15,940
Thereafter	790,723
	$ 863,507

Under its various indebtedness agreements, UCMC is subject to certain financial covenants, including maintaining a minimum debt service coverage ratio, maintaining minimum levels of days cash on hand, maintaining debt to capitalization at certain levels; limitations on selling, leasing, or otherwise disposing of UCMC property; and certain other nonfinancial covenants. Each of the bond Series is collateralized by unrestricted receivables under a Master Trust Indenture and subject to certain restrictions.

Recent Financing Activity

In March 2015, the IFA issued $21,895 of Series 2015A Revenue Refunding Bonds, allocated to UCMC for the purpose of refunding a portion of the Illinois Health Facilities Authority Revenue Bonds, Series 2009C. The Series 2015A Bonds are secured by a Direct Note Obligation, Series 2015A of UCMC issued pursuant to the Master Trust Indenture. The extinguishment of the Series 2009C bonds resulted in a loss of $700, the majority of which was recorded to supplies and other expense in 2015.

Letters of Credit

Payment on each of the variable rate demand revenue bonds is also collateralized by a letter of credit. The letter of credit that support the Series 2009D bonds expires in June 2017. The letter of credit that supports the 2009E bonds expires in December 2018. The letters of credit that support the Series 2010A and Series 2010B bonds expire in November 2020 and November 2018, respectively, and the letters of credit that support the Series 2011A and Series 2011B bonds expire in May 2021. The letters of credit are subject to certain restrictions, which include financial ratio requirements and consent to future indebtedness. The most restrictive financial ratio is to maintain a debt service coverage ratio of 1:25:1. Payment on each of the IEFA bonds is collateralized by a letter of credit maturing November 2017. The letter of credit is subject to certain restrictions, which include financial ratio requirements. The most restrictive financial ratio is to maintain a debt service coverage ratio of 1.75:1. UCMC was in compliance with all applicable debt covenants at June 30, 2016.

(Dollars in thousands)

Included in UCMC's debt is $75,671 of commercial paper revenue notes and $325,000 of variable rate demand bonds. In the event that UCMC's remarketing agents are unable to remarket the bonds, the trustee of the bonds will tender them under the letters of credit. Scheduled repayments under the letters of credit are between 1 and 3 years, beginning after a grace period of at least one year from the event, and bear interest rates different from those associated with the original bond issue. Any bonds tendered are still eligible to be remarketed. Bonds subsequently remarketed would be subject to the original bond repayment schedules.

Scheduled principal repayments on long-term debt based on the variable rate demand notes being put back to UCMC and a corresponding draw being made on the underlying credit facility, if available, are as follows:

Year ending June 30:	
2017	$ 22,785
2018	139,962
2019	155,098
2020	112,159
2021	36,657
Thereafter	396,846
	$ 863,507

UCMC paid interest, net of capitalized interest, of approximately $32,700 and $33,600 in 2016 and 2015, respectively.

UCMC has a $40,000 line of credit from a commercial bank, which expires September 29, 2017. As of June 30, 2016 and 2015, no amount was outstanding under this line.

(10) Derivative Instruments

In August 2006, UCMC entered into a forward starting swap transaction against contemplated variable rate borrowing for the Center for Care and Discovery. This is a cash flow hedge against interest on the variable rate debt. The fair value of these swap agreements is the estimated amount that UCMC would have to pay or receive to terminate the agreements as of the consolidated balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparty. The swap values are based on the London Interbank Rate (LIBOR). The inputs to the fair value estimate are considered Level 2 in the fair value hierarchy. The effective date of the swap was August 2011. In July 2011, UCMC novated the original swap agreement to divide the original notional amount in two equal parts between financial institutions. The fair value of the terminated portion of the hedge on the date of the novation was recorded in net assets in the amount of $35,123 and is being amortized into interest expense over the life of the related debt, commencing on February 23, 2013, the date the Center for Care and Discovery was placed into service. The new agreement is being accounted for as a hedge. The combined notional amount of the swap is $325,000 and the effective start date was August 2011. Management has determined that the interest rate swaps are effective, and have qualified for hedge accounting. Management has recognized ineffectiveness of approximately $2,506 in 2016 and an ineffectiveness of approximately $567 in 2015. This movement reflects the spread between tax-exempt interest rates and LIBOR during the period. The effective portion of these swaps is included in other changes in unrestricted net assets. The interest rate swaps terminate on February 1,

(Continued)

(Dollars in thousands)

2044. Cash settlement payments related to the swaps were accumulated in net assets while the Center for Care and Discovery was under construction, and are being amortized into depreciation expense over the life of the building. Amortization commenced on February 23, 2013, the date the Center for Care and Discovery was placed into service. Cash settlement payments after the Center for Care and Discovery was placed into service are recorded in interest expense.

UCMC is required to provide collateral on one of the interest rate swap agreements when the liability of that swap exceeds $50,000. At June 30, 2016 and 2015, $36,700 and $5,030 was held as collateral, respectively, and recorded in current portion of investments limited to use. If UCMC's credit rating were to be downgraded one level; collateral would need to be provided under the swap with JP Morgan when the liability of that swap exceeds $40,000 and under the Wells Fargo swap when the liability of that swap exceeds $60,000. Upon further downgrade, the collateral requirements increase.

The following summarizes the general terms of each of UCMC's swap agreements:

Effective date	Associated debt series	Original Term	Current notional amount	UCMC pays	UCMC receives
8/9/2011	2009 D/E, 2010 A/B, 2011 A/B	32.5 years	$ 162,500,000	3.89 %	68% of LIBOR
8/9/2011	2009 D/E, 2010 A/B, 2011 A/B	32.5 years	$ 162,500,000	3.97 %	68% of LIBOR

The fair value of each swap is the estimated amount UCMC would receive or pay to terminate the swap agreement at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value is included in interest rate swap liability on the consolidated balance sheets, while the change in fair value is recorded in unrestricted net assets for the effective portion of the change and in nonoperating gains and losses for the ineffective portion of the change.

(11) Commitments

Leases

UCMC has capital and noncancelable operating leases for certain buildings and equipment. Future minimum payments required under noncancelable operating leases as of June 30 are as follows:

	Operating
2017	$ 2,520
2018	2,180
2019	2,155
2020	2,046
2021 and thereafter	11,303
Total minimum lease payments	$ 20,204

(Continued)

(Dollars in thousands)

The amount of total assets capitalized under these leases at both June 30, 2016 and June 30, 2015 is $0 and $2,300 with related accumulated depreciation of $0 and $2,300, respectively. Rental expense was approximately $6,100 and $5,600 for the years ended June 30, 2016 and 2015, respectively.

(12) Insurance

UCMC is included under certain of the University's insurance programs. Since 1977, UCMC, in conjunction with the University, has maintained a self-insurance program for its medical malpractice liability. This program is supplemented with commercial excess insurance above the University's self-insurance retention, which for the years ended June 30, 2016 and 2015 was $5,000 per claim and unlimited in the aggregate. Claims in excess of $5,000 are subject to an additional self-insurance retention limited to $12,500 per claim and $22,500 in aggregate. There are no assurances that the University will be able to renew existing policies or procure coverage on similar terms in the future.

The estimated liability for medical malpractice self-insurance is actuarially determined based upon estimated claim reserves and various assumptions, and represents the estimated present value of self-insurance claims that will be settled in the future. It considers anticipated payout patterns as well as interest to be earned on available assets prior to payment. The discount rate used to value the self-insurance liability is a rate commensurate with the duration of anticipated payments.

A comparison of the estimated liability for incurred malpractice claims (filed and not filed) and assets available for claims for the combined University and UCMC self-insurance program as of June 30, 2016 and 2015, is presented below:

	2016	2015
Actuarial present value of self-insurance liability for medical malpractice	$ 238,213	250,444
Total assets available for claims	300,352	351,528

If the present-value method were not used, the ultimate liability for medical malpractice self-insurance claims would be approximately $33,100 higher at June 30, 2016. The interest rate assumed in determining the present value was 3.5% and 4.25% for 2016 and 2015, respectively. UCMC has recorded its pro-rata share of the malpractice self-insurance liability as required under ASU 2010-24 in the amount of $117,410 and $112,700 at June 30, 2016 and June 30, 2015, respectively, with an offsetting receivable from the malpractice trust to cover any related claims. The malpractice self-insurance trust assets consist primarily of funds held in TRIP.

UCMC recognizes as malpractice expense its negotiated pro-rata share of the actuarially determined normal contribution, with gains and losses amortized over five years, with no retroactive adjustments, as provided in the operating agreement. For fiscal year 2017, UCMC's expense is estimated to be approximately $8,500 related to malpractice insurance.

UCMC designated $14,700 and $16,400 as of June 30, 2016 and 2015, respectively, as a workers' compensation self-insurance reserve trust fund, which is included within investments limited as to use within

(Continued)

(Dollars in thousands)

the consolidated balance sheets. The self-insurance program investments consist of approximately 60% bonds and 40% marketable equities. The specifically identified claim requirements and actuarially determined reserve requirements for unreported workers' compensation claims were approximately $6,300 and $8,200 as of June 30, 2016 and 2015, respectively. The University also charges UCMC for its portion of other commercial insurance and self-insurance costs.

(13) Pension Plans

Active Plans

A majority of UCMC's personnel participate in the University's defined benefit and contribution pension plan, which are considered multi-employer pension plans. Under the defined benefit portion of this plan, benefits are based on years of service and the employee's compensation for the five highest paid consecutive years within the last ten years of employment. UCMC and the University make annual contributions to this portion of the plan at a rate necessary to maintain plan funding based on the guidelines set forth by the Employee Retirement Income Security Act of 1974, on an actuarially determined basis. UCMC recognizes its share of net periodic pension cost as expense and any difference in the contribution amount as a transfer of unrestricted net assets. The adjustment to net assets was a decrease of $300 for 2016 and an increase of $1,000 for 2015. Contributions of $32,500 were made in the fiscal years ended June 30, 2016 and 2015. UCMC expects to make contributions not to exceed $10,000 for the fiscal year ended June 30, 2017 that will be entirely expensed as net periodic pension costs.

Under the defined contribution portion of the plan, UCMC and plan participants make contributions that accrue to the benefit of the participants at retirement. UCMC's contributions, which are based on a percentage of each covered employee's salary, totaled approximately $7,800 and $7,400 for the years ended June 30, 2016 and 2015, respectively.

UCMC's contributions to the University's defined benefit plans included in the University's financial statements for the year ended June 30, 2016 and 2015 are as follows:

Plan name	EIN	Contributions of UCMC 2016	2015
University of Chicago Retirement Income Plan for Employees	36-2177139-002	$ 4,000	—
University of Chicago Pension Plan for Staff Employees	36-2177139-003	28,500	32,500
		$ 32,500	32,500

(Continued)

(Dollars in thousands)

The benefit obligation, fair value of plan assets and funded status for the University's defined benefit plan included in the University's financial statements as of June 30, are shown below:

	2016	2015
Projected benefit obligation	$ 1,017,137	954,886
Fair value of plan assets	741,696	695,869
Deficit of plan assets over benefit obligation	$ (275,441)	(259,017)

The weighted-average assumptions used in the accounting for the plan are shown below:

	2016	2015
Discount rate	3.6%	4.5%
Expected return on plan assets	6.5	6.5
Rate of compensation increase	3.5	3.5

The weighted average asset allocation for the plan is as follows:

	2016	2015
Domestic equities	26%	27%
International equity	20	19
Fixed income	54	54
	100%	100%

The pension and other postretirement benefit obligation considers anticipated payout patterns as well as investment returns on available assets prior to payment. The discount rate used to value the pension and other postretirement benefit obligation is a risk-adjusted rate commensurate with the duration of anticipated payments. These inputs to the fair value estimate are considered Level 2 in the fair value hierarchy.

Total benefits and plan expenses paid by the plan were $47,500 and $40,100 for the fiscal years ended June 30, 2016 and 2015, respectively.

Expected future benefit payments excluding plan expenses are as follows:

Fiscal year:	
2017	$ 75,031
2018	50,388
2019	51,536
2020	53,248
2021	56,378
2022–2025	296,796

(Continued)

(Dollars in thousands)

Certain UCMC personnel participate in a contributory pension plan. Under this plan, UCMC and plan participants make annual contributions to purchase annuities equivalent to retirement benefits earned. UCMC's pension expense for this plan was $5,300 and $5,200 for the years ended June 30, 2016 and 2015, respectively.

Curtailed and Frozen Plan

In June 2002, UCMC assumed sponsorship of the Louis A. Weiss Memorial Hospital Pension Plan (Employer Identification Number 36-3488183, Plan Number 003), which covers employees of a former affiliate. Participation and benefit accruals are frozen. All benefit accruals are fully vested.

Components of net periodic pension cost and other amounts recognized in unrestricted net assets include the following:

	Years ended June 30,	
	2016	2015
Net periodic pension cost:		
Interest cost	$ 2,513	2,293
Expected return on plan assets	(3,009)	(3,080)
Amortization of unrecognized net actuarial loss	926	617
Net periodic pension cost	430	(170)
Other changes in plan assets and benefit obligations recognized in unrestricted net assets:		
Liability for pension benefits	(4,429)	(8,192)
Total recognized in net periodic pension cost and unrestricted net assets	$ 4,859	8,022

(Continued)

(Dollars in thousands)

The following tables set forth additional required pension disclosure information for this plan:

	Years ended June 30, 2016	2015
Change in projected benefit obligation:		
Benefit obligation at beginning of year	$ 60,318	56,410
Interest cost	2,513	2,293
Net actuarial loss (gain)	4,236	5,382
Benefits paid	(3,556)	(3,767)
	63,511	60,318
Change in plan assets:		
Fair value of plan assets at beginning of year	52,037	53,151
Actual return on plan assets	1,890	(347)
Employer contribution	—	3,000
Benefits paid	(3,556)	(3,767)
	50,371	52,037
Funded status at end of year	$ (13,140)	(8,281)

Amounts recognized in the consolidated balance sheet are included in noncurrent liabilities.

Accumulated plan benefits equal projected plan benefits. Assumptions used in the accounting for the net periodic pension cost were as follows:

	2016	2015
Discount rate	3.5%	4.3%
Expected return on plan assets	6.0	6.0
Rate of compensation increase	N/A	N/A

Weighted average asset allocations for plan assets are as follows:

	2016	2015
Cash	3%	3%
Fixed income	60	58
Domestic equities	27	29
International equities	10	10
	100%	100%

(Continued)

(Dollars in thousands)

All plan assets are valued using level 1 inputs in 2016 and 2015. The target asset allocation is 40% equities and 60% fixed income. The expected return on plan assets is based on historical investment returns for similar investment portfolios.

UCMC expects to make contributions of $2,300 to the plan in the fiscal year ending June 30, 2017.

Expected future benefit payments are:

Fiscal year:		
2017	$	3,861
2018		3,858
2019		3,837
2020		3,861
2021		3,833
2022–2025		19,189

(14) Pledges

Pledges receivable at June 30 are comprised of:

		2016	2015
Unconditional promises expected to be collected in:			
Less than one year	$	1,661	1,102
One year to five years		2,602	1,522
More than five years		—	—
		4,263	2,624
Less unamortized discount (discount rate 5.5%)		(113)	—
Total	$	4,150	2,624

(15) Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of June 30:

		2016	2015
Pediatric healthcare	$	18,064	19,414
Adult healthcare		52,285	55,728
Educational and scientific programs		5,254	5,059
Capital and other purposes		6,322	5,908
Total	$	81,925	86,109

(Continued)

(Dollars in thousands)

Income from permanently restricted net assets is restricted for:

	2016	2015
Pediatric healthcare	$ 1,865	1,855
Adult healthcare	1,935	1,935
Educational and scientific programs	4,312	4,312
Total	$ 8,112	8,102

(16) Functional Expenses

Total operating expenses by function are as follows for the years ended June 30:

	2016	2015
Healthcare services	$ 1,403,939	1,359,252
General and administrative	106,256	99,897
Total	$ 1,510,195	1,459,149

(17) Contingencies

UCMC is subject to complaints, claims and litigation, which have risen in the normal course of business. In addition, UCMC is subject to reviews by various federal and state government agencies to assure compliance with applicable laws, some of which are subject to different interpretations. While the outcome of these suits cannot be determined at this time, management, based on advice from legal counsel, believes that any loss which may arise from these actions will not have a material adverse effect on the financial position or results of operations of UCMC.

(a) Medicare and Medicaid Reimbursement

For the years ended June 30, 2016 and 2015, UCMC recognized approximately 24% of net patient service revenue from services provided to Medicare beneficiaries. Recently enacted healthcare reform and other Medicare legislation may have an adverse effect on UCMC's net patient service revenue. Medicaid-payment methodologies and rates may be subject to modification based on the amount of funding available to the State of Illinois Medicaid Program.

UCMC has received and expects to receive future notices from the Medicare program requiring that they provide Medicare with documentation for claims to carry out the Recovery Audit Contract (RAC) program. UCMC is responding to these requests. Review of claims through the RAC program may result in a liability to the Medicare program and could have an adverse impact on UCMC's net patient service revenue.

(b) The Patient Protection and Affordable Care Act and Other Enacted Legislation

In March 2010, the Patient Protection and Affordable Care Act of 2010 (the Affordable Care Act) was enacted. Some of the provisions of the Affordable Care Act took effect immediately, while others will take effect or will be phased in over time, ranging from a few months to ten years following approval. The Affordable Care Act was designed to make available, or subsidize the premium costs of, healthcare insurance for some of the millions of currently uninsured or underinsured consumers below certain income levels. An increase in utilization of healthcare services by those who are currently avoiding or rationing their healthcare was expected. Although bad debt expenses and/or charity care provided were expected to be reduced, increased utilization would be associated with increased variable and fixed costs of providing healthcare services, which may or may not be offset by increased revenues.

The Affordable Care Act contains more than 32 Sections related to healthcare fraud and abuse and program integrity. The potential for increased legal exposure related to the Affordable Care Act's enhanced compliance and regulatory requirements could increase operating expenses.

UCMC continues to analyze the Affordable Care Act to assess its effects on current and projected operations, financial performance, and financial condition.

(c) Regulatory Investigations

The U.S. Department of Justice (DOJ) and other federal agencies routinely conduct regulatory investigations and compliance audits of healthcare providers. UCMC is subject to these regulatory efforts. Additionally, the laws and regulations governing the Medicare, Medicaid, and other government healthcare programs are extremely complex and subject to interpretation, making compliance an ongoing challenge for UCMC and other healthcare organizations. Recently the federal government has increased its enforcement activity, including audits and investigations related to billing practices, clinical documentation, and related matters. UCMC maintains a compliance program and conducts audits and other activities to identify potential compliance issues, including overpayments to governmental payors.

(d) Tax Exemption for Sales Tax and Property Tax

Effective June 14, 2012, the Governor of Illinois signed into law, Public Act 97-0688, which creates new standards for state income tax and property tax exemptions in Illinois. The law establishes new standards for the issuance of charitable exemptions, including requirements for a nonprofit hospital to certify annually that in the prior year, it provided an amount of qualified services and activities to low-income and underserved individuals with a value at least equal to the hospital's estimated property tax liability. UCMC has not recorded a liability for related property taxes based upon management's current determination of qualified services provided.

(Continued)

Effective June 14, 2012, the Governor of Illinois signed into law, Public Act 97-0688, which created an additional method for state sales tax and property tax exemptions to be granted to hospitals in Illinois. The law established new standards for the issuance of charitable exemptions, including requirements for a nonprofit hospital to certify annually that in the prior year, it provided an amount of qualified services and activities to low-income and underserved individuals with a value at least equal to the hospital's estimated property tax liability. This law applies only to those properties, which applied for new property tax exemption after the law's enactment. On January 5, 2016, the Fourth District of Illinois Appellate Court ruled that Public Act 97-0688 was unconstitutional under the Illinois Constitution. UCMC expects this case will ultimately be taken by the parties to the Illinois Supreme Court. Meanwhile UCMC's hospitals and certain affiliated corporations' property tax exemptions under the law remain intact. UCMC has not accrued any liability for property taxes and maintains the position that its hospitals and certain affiliated corporations are exempt from property taxes.

KPMG

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidated Financial Statements

June 30, 2017 and 2016

(With Independent Auditors' Report Thereon)

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

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ATTACHMENT 35

KPMG LLP
Aon Center
Suite 5500
200 E. Randolph Street
Chicago, IL 60601-6436

Independent Auditors' Report

The Board of Trustees
The University of Chicago Medical Center:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The University of Chicago Medical Center, which comprise the consolidated balance sheets as of June 30, 2017 and 2016, and the related consolidated statements of operations and changes in unrestricted net assets, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The University of Chicago Medical Center as of June 30, 2017 and 2016, and the results of its operations and of its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2017 supplementary information included in schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Chicago, Illinois
October 27, 2017

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidated Balance Sheets

June 30, 2017 and 2016

(In thousands)

Assets		2017	2016
Current assets:			
Cash and cash equivalents	$	37,446	20,335
Patient accounts receivable, net of estimated uncollectibles of $140,878 in 2017 and $73,746 in 2016		432,100	288,401
Current portion of investments limited to use		20,608	36,768
Current portion of malpractice self-insurance receivable		21,141	18,289
Current portion of pledges receivable		1,256	1,661
Prepaids, inventory, and other current assets		85,921	62,614
Total current assets		598,472	428,068
Investments limited to use, less current portion		1,202,972	894,808
Property, plant, and equipment, net		1,625,205	1,380,132
Pledges receivable, less current portion		2,363	2,489
Malpractice self-insurance receivable, less current portion		99,798	99,121
Other assets, net		38,654	14,827
Total assets	$	3,567,464	2,819,445
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued expenses	$	222,595	166,173
Current portion of long-term debt		19,418	13,255
Current portion of other long-term liabilities		198	—
Estimated third-party payor settlements		178,181	139,429
Current portion of malpractice self-insurance liability		21,141	18,289
Due to University of Chicago		28,725	22,146
Total current liabilities		470,258	359,292
Other liabilities:			
Workers' compensation self-insurance liabilities, less current portion		5,980	6,305
Malpractice self-insurance liability, less current portion		131,535	99,121
Long-term debt, less current portion		1,014,827	843,039
Interest rate swap liability		129,450	165,417
Other long-term liabilities, less current portion		44,469	30,618
Total liabilities		1,796,519	1,503,792
Net assets:			
Unrestricted		1,663,039	1,225,616
Temporarily restricted		90,461	81,925
Permanently restricted		17,445	8,112
Total net assets		1,770,945	1,315,653
Total liabilities and net assets	$	3,567,464	2,819,445

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidated Statements of Operations and Changes in Unrestricted Net Assets

Years ended June 30, 2017 and 2016

(In thousands)

	2017	2016
Operating revenues:		
Net patient service revenue	$ 2,009,559	1,574,252
Provision for doubtful accounts	152,888	84,243
Net patient service revenue after provision for doubtful accounts	1,856,671	1,490,009
Other operating revenues and net assets released from restrictions used for operating purposes	148,790	126,625
Total operating revenues	2,005,461	1,616,634
Operating expenses:		
Salaries, wages, and benefits	859,641	698,752
Supplies and other	583,644	427,739
Physician services	251,492	215,727
Insurance	17,794	11,324
Interest	39,416	32,940
Medicaid provider tax	53,824	36,110
Depreciation and amortization	117,275	87,603
Total operating expenses	1,923,086	1,510,195
Operating revenue in excess of expenses	82,375	106,439
Nonoperating gains and losses:		
Investment income (loss) and unrestricted gifts, net	89,154	(18,359)
Loss on extinguishment of debt	(27,028)	—
Contribution of CHHD unrestricted net assets	309,740	—
Change in fair value of nonhedged derivative instruments	3,561	—
Derivative ineffectiveness on hedged derivative instruments	2,095	(2,506)
Distributions and other, net	2,496	—
Revenue and gains in excess of expenses and losses	462,393	85,574
Other changes in net assets:		
Equity transfers to University of Chicago, net	(71,750)	(72,025)
Change in accrued pension benefits other than net periodic benefit costs	2,266	(4,429)
Effective portion of change in valuation of derivatives	44,863	(50,775)
Distributions and other, net	(349)	(65)
Increase (decrease) in unrestricted net assets	$ 437,423	(41,720)

See accompanying notes to consolidated financial statements.

ATTACHMENT 35

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2017 and 2016

(In thousands)

	2017	2016
Unrestricted net assets:		
Revenue and gains in excess of expenses and losses	$ 462,393	85,574
Equity transfers to University of Chicago, net	(71,750)	(72,025)
Change in accrued pension benefits other than net periodic benefit cost	2,266	(4,429)
Effective portion of change in valuation of derivatives	44,863	(50,775)
Distributions and other, net	(349)	(65)
Increase (decrease) in unrestricted net assets	437,423	(41,720)
Temporarily restricted net assets:		
Contributions	3,437	3,677
Net assets released from restrictions used for operating purposes	(6,518)	(5,501)
Investment income (loss)	7,582	(2,425)
Contribution of CHHD temporarily restricted net assets	4,035	—
Other, net	—	65
Increase (decrease) in temporarily restricted net assets	8,536	(4,184)
Permanently restricted net assets:		
Contribution of CHHD permanently restricted net assets	9,087	—
Contributions and other	246	10
Increase in permanently restricted net assets	9,333	10
Change in net assets	455,292	(45,894)
Net assets at beginning of year	1,315,653	1,361,547
Net assets at end of year	$ 1,770,945	1,315,653

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidated Statements of Cash Flows

Years ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	$ 455,292	(45,894)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net change in unrealized gains and losses on investments	(18,303)	35,951
Equity transfers to University of Chicago	71,750	72,025
Restricted contributions and investment return	(11,265)	(1,262)
Realized gains on investments	(56,460)	(6,451)
Net change in valuation of derivatives	(48,820)	54,970
Contribution of CHHD net assets	(322,862)	—
Change in accrued pension benefits other than net period benefit cost and other	(2,266)	4,429
Loss on disposal of assets	91	853
Provision for doubtful accounts	152,888	84,243
Loss on extinguishment of debt	27,028	—
Net assets released from restrictions for operations	6,518	5,501
Depreciation and amortization	117,275	87,603
Changes in assets and liabilities:		
Patient accounts receivable, net	(264,110)	(162,908)
Other assets	(25,472)	(27,551)
Accounts payable and accrued expenses	35,105	6,985
Due to the University of Chicago	6,579	(37,291)
Estimated settlements with third-party payors	16,750	23,267
Self-insurance liabilities	(1,732)	2,841
Other liabilities	4,651	4,133
Net cash provided by operating activities	142,637	101,444
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(170,135)	(234,191)
Change in construction payables	(39,109)	26,892
Physician practice acquisitions	—	(1,447)
Purchases of investments	(402,496)	(46,138)
Sales of investments	488,139	100,894
Cash received from contribution of CHHD	28,003	—
Net cash used in investing activities	(95,598)	(153,990)
Cash flows from financing activities		
Proceeds from issuance of long-term debt, including bond premium	256,396	—
Payments on long-term obligations	(220,069)	(14,824)
Draws on revolving credit facility	3,000	—
Payments of bond issuance costs	(2,252)	—
Equity transfers to the University of Chicago, net	(71,750)	(72,025)
Net assets released from restriction for operations	(6,518)	(5,501)
Restricted contributions and investment return	11,265	1,262
Net cash used in financing activities	(29,928)	(91,088)
Net increase (decrease) in cash and cash equivalents	17,111	(143,634)
Cash and cash equivalents:		
Beginning of year	20,335	163,969
End of year	$ 37,446	20,335

See accompanying notes to consolidated financial statements.

ATTACHMENT 35

(1) Organization and Basis of Presentation

The accompanying consolidated financial statements represent the accounts of The University of Chicago Medical Center and its affiliates (the System). The University of Chicago Medical Center (UCMC) is the parent of an integrated nonprofit health care organization, partnering with the University of Chicago Biological Sciences Division, the University of Chicago Pritzker School of Medicine, and the University of Chicago Physicians Group to provide world-class medical care in an academic setting. UCMC operates the Center for Care and Discovery, the Bernard Mitchell Hospital, the Chicago Lying-In Hospital, the University of Chicago Comer Children's Hospital, the Duchossois Center for Advanced Medicine, the University of Chicago Medicine Care Network, the UCM Community Health and Hospital Division, Inc. (CHHD), and various other outpatient clinics and treatment areas. Additional affiliated entities include the University of Chicago Medicine Care Network, which provides support and healthcare services in the greater Chicago region to support the healthcare needs to the community, and the UCMC Title Holding Corporation and UCMC Title Holding Corporation II NFP, which cooperatively invest in facilities and equipment for the advancement of patient care.

On October 1, 2016, UCMC acquired Ingalls Health System (IHS) through an affiliation and member substitution. As a result of this transaction, IHS became a wholly owned subsidiary of UCMC through the newly created CHHD of UCMC. Accordingly, the 2017 consolidated system statement of operations and changes in unrestricted net assets includes the operating activity of IHS for the nine-month period from October 1, 2016 through June 30, 2017.

The University of Chicago (the University), as the sole corporate member of UCMC, elects UCMC's Board of Trustees and approves its bylaws. The UCMC President reports to the University's Executive Vice President for Medical Affairs. The relationship between UCMC and the University is defined in the Medical Center bylaws, an affiliation agreement, an operating agreement, and several leases. See note 4 for agreements and transactions with the University.

(2) Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements of the System have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). All significant intercompany accounts and transactions have been eliminated in consolidation.

(b) New Accounting Pronouncements

During 2017, the System adopted the provisions of Accounting Standards Update (ASU) No. 2015-13, *Interest – Imputation of Interest* (ASU 2015-03). ASU 2015-03 amends Accounting Standards Codification (ASC) Topic 835, *Interest* by requiring debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability, consistent with the debt discounts and premiums. The adoption of the ASU 2015-03 was effective for the System for the year ended June 30, 2017.

(Continued)

During 2017, the System adopted ASU No. 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.* This guidance requires the service cost component of net periodic benefit cost for pension and other postretirement benefit costs be presented as a component part of employee benefit expense. The other components of net periodic benefit cost, such as interest, expected return on plan assets, and amortization of other actuarially determined amounts, are required to be presented as a nonoperating change in unrestricted net assets. The System adopted the changes for the year ended June 30, 2017.

In August 2016, Financial Accounting Standards Board (FASB) issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). ASU 2016-14 represents phase 1 of FASB's not-for-profit financial reporting project and results reduce the number of net asset classes, require expense presentation by functional and natural classification, require quantitative and qualitative information in liquidity, retain the option to present the cash flow statement on a direct or indirect method, as well as include various other additional disclosure requirements. The System is assessing the impacts on financial statement presentation and disclosures for this ASU.

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606).* This ASU establishes principles for reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Particularly, that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The requirements of this statement are effective for the System for the year ending June 30, 2019. The System expects to record a decrease in net patient service revenue and a corresponding decrease in the provision for uncollectible accounts upon adoption of the standard. However, the System is still in the process of assessing the impacts on financial statement presentation and disclosures for this ASU.

In February 2016, FASB issues ASU No. 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 requires entities to recognize all leased assets as assets on the balance sheet with a corresponding liability resulting in a gross up of the balance sheet. Entities will also be required to present additional disclosures as the nature and extent of leasing activities. ASU 2016-02 is effective for nonpublic business entities for the annual reporting period beginning after December 31, 2018. The requirements of this statement are effective for the System for the year ending June 30, 2020. The System has not evaluated the impact of this statement.

(c) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(d) Community Benefits

The System's policy is to treat patients in immediate need of medical services without regard to their ability to pay for such services, including patients transferred from other hospitals under the provisions

(Continued)

of the Emergency Medical Treatment and Active Labor Act. UCMC also accepts patients through the Perinatal and Pediatric Trauma Networks without regard to their ability to pay for services.

The System developed a Financial Assistance Policy (the Policy) under which patients are offered discounts of up to 100% of charges on a sliding scale. The Policy is based both on income as a percentage of the Federal Poverty Level guidelines and the charges for services rendered. The Policy also contains provisions that are responsive to those patients subject to catastrophic healthcare expenses. Since the System does not pursue collection of these amounts, they are not reported as net patient service revenue. The cost of providing care under this Policy, along with the unreimbursed cost of government sponsored indigent healthcare programs, unreimbursed cost to support education, clinical research, and other community programs for the years ended June 30, 2017 and 2016, are reported in note 6.

(e) Fair Value of Financial Instruments

Fair value is defined as the price that the System would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The System uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the System. Inputs refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 – Quoted market prices in active markets for identical investments

Level 2 – Inputs other than quoted prices for similar investments in active markets, quoted prices for identical or similar investments in markets that are not active, or inputs other than quoted prices that are observable including model-based valuation techniques

Level 3 – Valuation techniques that use significant inputs that are unobservable because they trade infrequently or not at all

(f) Cash and Cash Equivalents

Cash equivalents include U.S. Treasury notes, commercial paper, and corporate notes with original maturities of three months or less, excluding investments whose use is limited or restricted.

(g) Inventory

The System values inventories at the lower of cost or market, using the first-in, first-out method. During 2016, UCMC changed its non-GAAP policy for recording certain inventory. This change resulted in an

(Continued)

$8,200 increase in inventory at June 30, 2016 and a corresponding $8,200 reduction in supplies and other expense in the accompanying 2016 consolidated statement of operations and changes in unrestricted net assets.

(h) Investments

Investments are classified as trading securities. As such, investment income or loss (including realized or unrealized gains and losses on investments, interest, and dividends) is included in excess of revenue and gains over expenses and losses unless the income is restricted by donor or law.

Investments are recorded in the consolidated financial statements at estimated fair value. If an investment is held directly by an entity and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. Reported fair values for shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The System's interests in alternative investment funds, such as private debt, private equity, real estate, natural resources, and absolute return, are generally reported at the net asset value (NAV) reported by the fund managers, which is used as a practical expedient to estimate the fair value, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2017 and 2016, the System had no plans to sell investments at amounts different from NAV.

A significant portion of the System's investments are part of the University's Total Return Investment Pool (TRIP). The System accounts for its investments in TRIP on the fair value method based on its share of the underlying securities and, accordingly, records the investment activity as if the System owned the investments directly using the fair value option election. The University does not engage directly in unhedged speculative investments; however, the Board of the University has authorized the use of derivative investments to adjust market exposure within asset class ranges.

A summary of the inputs used in valuing the System's investments as of June 30, 2017 and 2016 is included in note 7.

(i) Endowment Funds with Deficits

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. As of June 30, 2017 and 2016, endowments in deficit positions were $0 and $65, respectively.

(j) Investments Limited as to Use

Investments limited as to use primarily include assets held by trustees under debt and other agreements and designated assets set aside by the Board of Trustees for future capital improvements and other specific purposes, over which the Board retains control and may at its discretion subsequently use for other purposes. Investments limited as to use also include investments held under swap collateral posting requirements, investments under the workers' compensation self-insurance trust funds, and investments whose use is restricted by donors. Investments limited as to use are reported as unrestricted net assets. Investments whose use is restricted by donors are reported as temporarily restricted or permanently restricted.

(Continued)

(k) Derivative Instruments

The System accounts for derivatives and hedging activities in accordance with ASC Topic 815, *Derivatives and Hedging*, which requires that all derivative instruments be recorded as either assets or liabilities in the balance sheet at their respective fair values.

For hedging relationships, the System formally documents the hedging relationship and its risk management objective and strategy for understanding the hedge, the hedging instrument, the nature of the risk being hedged, how the hedging investment's effectiveness in offsetting the hedged risk will be assessed, and a description of the method for measuring ineffectiveness. This process includes linking all derivatives that are presented as cash flow hedges to specific assets and liabilities in the balance sheet.

(l) Property, Plant, and Equipment

Property, plant, and equipment are reported on the basis of cost less accumulated depreciation and amortization. Depreciation of property, plant, and equipment is calculated by use of the straight-line method at rates intended to depreciate the cost of assets over their estimated useful lives, which generally range from three to eighty years. Interest costs incurred during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets with explicit restrictions by donors that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

The System periodically assesses the recoverability of long-lived assets (including property, plant, and equipment) when indications of potential impairment, based on estimated, undiscounted future cash flows exist. Management considers factors, such as current results, trends, and future prospects, in addition to other economic factors, in determining whether there is an impairment of the asset.

(m) Asset Retirement Obligation

The System recognizes a liability for the fair value of a legal obligation to perform asset retirement activities in which the timing or method of settlement are conditional on a future event if the amount can be reasonably estimated. Upon recognition of a liability, the asset retirement cost is recorded as an increase in the carrying value of the related long-lived asset and then depreciated over the life of the asset. The System's asset retirement obligations arise primarily from regulations that specify how to dispose of asbestos if facilities are demolished or undergo major renovations or repairs. The System's obligation to remove asbestos was estimated using site-specific surveys where available and a per square foot estimate where surveys were unavailable.

(n) Other Assets and Liabilities

Goodwill and intangible assets principally relate to physician practice acquisitions. Intangible assets are being amortized over a period, generally not to exceed five years. Intangible assets were $703 and $996 for the years ended June 30, 2017 and 2016, respectively, and are included within other assets,

(Continued)

net in the consolidated balance sheets. The System follows the provisions of ASC Subtopic 958-805, *Not-for-Profit Entities – Business* Combinations, which discontinued the amortization of goodwill. Under ASC Subtopic 958-805, goodwill is to be reviewed for impairment at least annually using a two-step test. Goodwill at June 30, 2017 and 2016 was $1,392 and $1,140, respectively, and is included in other assets, net within the consolidated balance sheets. No goodwill impairment was recorded by the System in 2017 and 2016.

(o) Net Assets

Net assets are classified as either permanently or temporarily restricted when the use of the assets is limited by outside parties or as unrestricted net assets when outside parties place no restrictions on the use of the assets or when the assets arise as a result of the operations of the System.

Unconditional promises to give cash and other assets to the System are reported at fair value at the date the promise is received. Pledges receivable to be collected after one year are discounted using a risk-adjusted interest rate at the time the pledge is made. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limits the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported as operating revenue in the statements of operations and changes in unrestricted net assets if restricted for operating purposes and as an increase to unrestricted net assets if restricted to purchase property, plant, and equipment. Gifts for which donors have not stipulated restrictions, as well as contributions for which donors have not stipulated restrictions, as well as contributions for which donors have stipulated restrictions that are met within the same reporting period, are reported as other operating revenue.

(p) Statement of Operations

All activities of the System deemed by management to be ongoing, major, and central to the provision of healthcare services are reported as operating revenue and expenses.

The consolidated statement of operations and changes in unrestricted net assets includes revenue and gains in excess of expenses and losses. Changes in unrestricted net assets that are excluded from revenue and gains in excess of expenses and losses include transfers to the University, contributions of long-lived assets released from restrictions (including assets acquired using contributions which by donor restriction were to be used for acquisition of System assets), the effective portion of changes in the valuation of derivatives, and change in accrued pension benefits other than net periodic benefit costs, distributions and other.

(q) Net Patient Service Revenue, Accounts Receivable, and Allowance for Doubtful Accounts

The System maintains agreements with the Centers for Medicare and Medicaid Services under the Medicare Program, Blue Cross and Blue Shield of Illinois, Inc. (Blue Cross), and the State of Illinois under the Medicaid Program and various managed care payors that govern payment to the System for services rendered to patients covered by these agreements. The agreements generally provide for per

case or per diem rates or payments based on allowable costs, subject to certain limitations, for inpatient care and discounted charges or fee schedules for outpatient care.

Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered and include estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and System estimates are adjusted in future periods as adjustments become known or as years are no longer subject to System audits, reviews and investigations. Adjustments to prior year estimates for these items resulted in an increase in net patient service revenue of $8,058 in 2017 and $3,874 in 2016. Contracts, laws, and regulations governing Medicare, Medicaid, and Blue Cross are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The process for estimating the ultimate collectibility of receivables involves significant assumptions and judgment. The System has implemented a standardized approach to this estimation based on the payor classification and age of outstanding receivables. Account balances are written off against the allowance when management feels it is probable the receivable will not be recovered. The use of historical collection experience is an integral part of the estimation of the reserve for doubtful accounts. Revisions in the reserve for doubtful accounts are recorded as adjustments to the provision for doubtful accounts.

(r) Hospital Assessment Program/Medicaid Provider Tax

In December 2008, the State of Illinois, after receiving approval by the federal government, implemented a hospital assessment program. The program assessed hospitals a provider tax based on occupied bed days and provided increases in hospitals' Medicaid payments. In 2017, reimbursement under the assessment programs resulted in a net increase of $32,560 in operating income, which includes $79,054 in Medicaid payments included in net patient service revenue offset by $46,494 in Medicaid provider tax expense. In 2016, reimbursement under the assessment programs resulted in a net increase of $29,190 in operating income, which includes $65,300 in Medicaid payments included in net patient service revenue offset by $36,110 in Medicaid provider tax expense.

(s) Affordable Care Act (ACA)

In March 2010, the federal government passed the ACA, which expanded Medicaid coverage to millions of low-income Americans and made improvements to both the Medicaid and the Children's Health Insurance Program. Beginning in 2014, coverage for newly eligible adults would be funded by the federal government for three years. The System recognized $16,239 and $14,300 of net patient service revenue in 2017 and 2016, respectively, under this new law. Due to the timing of actual payments, UCMC recorded a receivable of $4,440 and $4,000 as of June 30, 2017 and 2016, respectively.

Beginning in 2016, coverage for newly eligible adults was expanded to include adults covered by an authorized Medicaid managed care organization. The coverage would be funded by the federal government for two years. For the year ended June 30, 2017, the System recognized as reimbursement under the new legislation a net increase of $19,904 in operating income, which includes

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$27,234 in Medicaid payments included in net patient service revenue offset by $7,330 in Medicaid provider tax expenses. $7,604 of the net revenue from Medicaid payments received and recognized in fiscal year 2017 were retroactive payments related to fiscal year 2016.

(t) Income Taxes

The System applies ASC Topic 740, *Income Taxes* (ASC 740), which clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements. ASC 740 prescribes a more likely than not recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken. Under ASC 740, tax positions are evaluated for recognition, derecognition, and measurement using consistent criteria and provide more information about the uncertainty in income tax assets and liabilities. As of June 30, 2017 and 2016, the System does not have an asset or liability recorded for unrecognized tax positions.

UCMC and a substantial number of its subsidiaries are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The University of Chicago Medicine Care Network, LLC and several entities within CHHD, including Ingalls Captive Insurance, Ltd (ICI), Medcentrix, Inc. (MCX), and Ingalls Provider Group (IPG) are taxable entities under applicable sections of the Code.

Deferred income taxes on taxable entities are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the consolidated financial statement carrying amounts and the tax bases of existing assets and liabilities. As of June 30, 2017, ICI has a deferred tax asset related to net operating losses (NOL) of $473, which is recorded within prepaids, inventory, and other current assets in the consolidated balance sheets. As of June 30, 2017, no valuation allowance against the ICI deferred tax assets was considered necessary as management believed that it was more likely than not that the results of future operations would generate sufficient taxable income to realize these deferred tax assets. IPG has an NOL of $164 at June 30, 2017; however, it has a full valuation allowance as future realization of the NOL is not likely. As of June 30, 2017, MCX has an NOL of $14,352; however, it has a full valuation allowance as future realization of the NOL is not likely. Income tax benefit for the year ended June 30, 2017 was $9 and related to ICI. This amount is recorded within supplies and other on the consolidated statement of operations and changes in unrestricted net assets.

(u) Reclassifications

Certain 2016 amounts have been reclassified to conform to the 2017 consolidated financial statement presentation, including the reclassification of debt issuance costs from other assets to long-term debt, less current portion of $7,213 within the 2016 consolidated balance sheet in accordance with the adoption of ASU 2015-13.

(v) Subsequent Events

The System has performed an evaluation of subsequent events through October 27, 2017, which is the date the consolidated financial statements were issued and other than noted above, there were no other items to disclose.

(Continued)

(Dollars in thousands)

(3) Acquisition

On October 1, 2016, UCMC acquired IHS through an affiliation and member substitution agreement. As a result of this transaction, IHS became a wholly owned subsidiary of UCMC through the newly created CHHD of UCMC. This affiliation positions the System, under the University of Chicago Medicine brand, to expand its integrated academic health delivery system to the South and Southwest Suburbs of Chicago, providing patients access to care at the forefront of medicine where patients live and work.

The affiliation was effected through a member substitution with no consideration paid. For accounting purposes, this transaction is considered an acquisition under ASC Subtopic 958-805, and a contribution was recorded for the fair value of assets, net of liabilities of IHS in the consolidated statement of operations and changes in unrestricted net assets. No goodwill has been recorded as a result of this transaction.

The acquisition-date fair value of identifiable assets and liabilities of IHS at October 1, 2016 consisted of the following:

Fair value of identifiable net assets:		
Cash and cash equivalents	$	28,003
Other current assets		58,527
Property and equipment		187,641
Investments		289,888
Other long-term assets		2,720
Restricted assets – investments		9,087
Current liabilities		(82,428)
Long-term debt		(111,990)
Other long-term liabilities		(58,586)
Contribution of net assets	$	322,862

The valuation of the fair value of identifiable assets and liabilities has been completed. In valuing these assets and liabilities, fair values were based on, but not limited to, independent appraisals, discounted cash flows, replacement costs, and actuarially determined values.

Operating expenses for the year ended June 30, 2017 include costs related to the integration of IHS into the System, including support services, operating programs with other health practitioners, as well as costs of valuation and integration consulting.

Operating results and changes in net assets attributable to IHS since the date of acquisition included in the accompanying consolidated statement of operations and changes in net assets for the year ended June 30, 2017 are as follows:

Total operating revenue	$	263,549
Excess of revenue over expense		20,195
Change in net assets		1,642

(Continued)

(Dollars in thousands)

The unaudited supplemental pro forma operating results of UCMC as if the IHS affiliation had occurred on July 1, 2015 are as follows:

	Year ended June 30	
	2017	2016
	(Unaudited)	
Total operating revenue	$ 2,092,155	1,960,094
Operating income	76,793	88,329
Excess of revenue over expenses attributable to UCMC and affiliates	149,622	75,679

The pro forma information provided should not be construed to be indicative of UCMC's results of operations had the acquisition been consummated on July 1, 2015, and is not intended to project UCMC's results of operations for any future period.

(4) Agreements and Transactions with the University

The affiliation agreement with the University provides, among other things, that all members of the medical staff will have academic appointments in the University. The affiliation agreement has an initial term of 40 years ending October 1, 2026 unless sooner terminated by mutual consent or as a result of a continuing breach of a material obligation therein or in the operating agreement. The affiliation agreement automatically renews for additional successive 10-year terms following expiration of the initial term, unless either party provides the other with at least two years' prior written notice of its election not to renew.

The operating agreement, as amended, provides, among other things, that the University gives UCMC the right to use and operate certain facilities. The operating agreement is coterminous with the affiliation agreement.

The Lease Agreements provide, among other things, that UCMC will lease from the University certain of the healthcare facilities and land that UCMC operates and occupies. The lease agreements are coterminous with the affiliation agreement.

UCMC purchases various services from the University, including certain employee benefits, utilities, security, telecommunications, and insurance. In addition, certain UCMC accounting records are maintained by the University. During the years ended June 30, 2017 and 2016, the University charged UCMC $30,014 and $29,109, respectively, for utilities, security, telecommunications, insurance, and overhead.

The University's Division of Biological Sciences (BSD) provides physician services to UCMC. In 2017 and 2016, UCMC recorded $229,863 and $215,727, respectively, in expense related to these services.

UCMC's Board of Trustees adopted a plan of support under which it would provide annual net asset transfers to the University for support of academic programs in biology and medicine. All commitments under this plan are subject to the approval of UCMC's Board of Trustees and do not represent legally binding commitments until that approval. Unpaid portions of commitments approved by the UCMC Board of

(Continued)

Trustees are reflected as current liabilities. UCMC recorded net asset transfers of $71,750 and $72,025 in 2017 and 2016, respectively, for this support.

(5) Third-Party Reimbursement Programs

The System follows the provisions of ASU No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. ASU No. 2011-07 requires that entities that recognize significant amounts of patient service revenue at the time the services are rendered even though they do not assess the patient's ability to pay must present the provision for bad debts related to patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts) on their consolidated statements of operations and changes in unrestricted net assets. In addition, there are enhanced disclosures about the entity's policies for recognizing revenue and assessing bad debts. The ASU also requires disclosures of patient service revenue, as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. The provision for doubtful accounts on the accompanying consolidated statements of operations and changes in unrestricted net assets for the years ended June 30, 2017 and 2016 has been presented on a separate line as a deduction from net patient service revenue (net of contractual allowances and discounts) to reflect the application of ASU No. 2011-07.

The System has agreements with third-party payors that provide for reimbursement at amounts different from their established rates. Estimated contractual adjustments arising under third-party reimbursement programs principally represent the differences between the System's billings at list price and the amounts reimbursed by Medicare, Blue Cross, and certain other contracted third-party payors; the difference between the System's billings at list price and the allocated cost of services provided to Medicaid patients; and any differences between estimated third-party reimbursement settlements for prior years and subsequent final settlements. A summary of the reimbursement methodologies with major third-party payors is as follows:

(a) Medicare

The System is paid for various services rendered to Medicare program beneficiaries under prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. The prospectively determined rates are not subject to retroactive adjustment. The System's classification of patients under the prospective payment systems and the appropriateness of the patients' admissions are subject to validation reviews.

Other services rendered to Medicare beneficiaries are reimbursed based upon a combination of prospectively determined rates and cost reimbursement methodologies. For the cost reimbursement, the System is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the System and audits by the Medicare fiscal intermediary. UCMC's Medicare reimbursement reports through June 30, 2012 have been audited by the Medicare fiscal intermediary. CHHD's Medicare reimbursement reports through September 30, 2013 have been audited by the Medicare fiscal intermediary.

(Continued)

(b) Medicaid

The System is paid for inpatient acute care services rendered to Medicaid program beneficiaries under prospectively determined rates-per-discharge. For inpatient acute care services, payment rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Medicaid outpatient services are reimbursed based on fee schedules. Medicaid reimbursement methodologies may be subject to periodic adjustment, as well as to changes in existing payment levels and rates, based on the amount of funding available to the State of Illinois Medicaid program and any such changes could have a significant effect on the System's revenue.

(c) Blue Cross

The System also participates as a provider of healthcare services under reimbursement agreements with Blue Cross under its indemnity program. The provisions of the agreements stipulate that services will be reimbursed at a tentative reimbursement rate and that final reimbursement for these services is determined after the submission of an annual cost report by the System and a review by Blue Cross. UCMC's Blue Cross reimbursement reports for 2016 and prior years have been reviewed by Blue Cross. CHHD's Blue Cross reimbursement reports for 2015 and prior years have been reviewed by Blue Cross.

(d) Other

The System has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements is negotiated by the System and includes prospectively determined rates-per-discharge, discounts from established charges, and prospectively determined per diem rates.

Accruals for settlements with third-party payors are made based on estimates of amounts to be received or paid under the terms of the respective contracts and related settlement principles and regulations of the federal Medicare program, the Illinois Medicaid program, and the Blue Cross Plan of Illinois.

Patients' accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of patients' accounts receivable, the System analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for uncollectible accounts receivable. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, the System analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for accounts receivable, if necessary. For receivables associated with patient responsibility (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the patients are screened against the System's charity care policy. For any remaining patient responsibility balance, the System records a provision for uncollectible accounts receivable in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually

(Continued)

(Dollars in thousands)

collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The System's allowance for uncollectible accounts, which includes uninsured patients, residual copayments, and deductibles for which managed care has already paid, and certain aged Medicaid and Medicaid managed care accounts receivable, increased from 20.4% of accounts receivable at June 30, 2016 to 24.6% of accounts receivable at June 30, 2017. Gross write-offs increased from approximately $146,200 in fiscal year 2016 to $210,841 in fiscal year 2017. The System did not have significant write-offs from third-party payors.

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the period from these major payor sources are as follows:

	2017	2016
Medicare	$ 493,691	369,511
Medicaid	391,528	272,302
Managed care	1,082,368	911,886
Patients and other	41,972	20,553
Net patient service revenue before provision for doubtful accounts	$ 2,009,559	1,574,252

The System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors as of June 30, 2017 and 2016 are as follows:

	2017	2016
Medicare	17.7 %	11.1 %
Medicaid	30.0	27.9
Managed care	48.4	60.8
Patients and other	3.9	0.2
	100.0 %	100.0 %

(Continued)

(Dollars in thousands)

A summary of the System's utilization percentages based upon gross patient service revenue is as follows:

	2017	2016
Medicare	38.3 %	37.2 %
Medicaid	23.5	23.7
Managed care	36.5	37.8
Patients and other	1.7	1.3
	100.0 %	100.0 %

(6) Community Benefits

The following is a summary of the System's unreimbursed cost of providing care, as defined under its Financial Assistance Policy, along with the unreimbursed cost of government sponsored indigent healthcare programs, unreimbursed cost to support education, clinical research, and other community programs for the years ended June 30, 2017 and 2016:

	Year ended June 30	
	2017	2016
Uncompensated care:		
Medicaid sponsored indigent healthcare	$ 72,905	72,619
Medicare sponsored indigent healthcare – cost report	118,486	94,965
Medicare sponsored indigent healthcare – physician services	37,323	11,145
Total uncompensated care	228,714	178,729
Charity care	27,199	36,230
	255,913	214,959
Unreimbursed education and research:		
Education (Unaudited)	71,044	65,632
Research (Unaudited)	48,000	48,000
Total unreimbursed education and research	119,044	113,632
Total community benefits	$ 374,957	328,591

The System determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries, wages and benefits, supplies, and other operating expenses, based on data from its costing system to determine a cost-to-charge ratio. The cost to charge ratio is applied to the charity care charge to calculate the charity care amount reported above. The System amended its financial assistance policies in 2016 to remain in compliance with federal and state regulations.

(Continued)

(Dollars in thousands)

(7) Investments Limited as to Use

The composition of investments limited as to use is as follows at June 30 2017 and 2016:

	2017				
	Separately invested	TRIP	Other	Total	2016
Investments carried at fair value:					
Cash equivalents	$ 7,544	36,208	2,988	46,740	14,392
Global public equities	128,942	178,813	—	307,755	218,912
Private debt	—	37,896	—	37,896	33,297
Private equity:					
U.S. venture capital	93,376	38,737	—	132,113	36,382
U.S. corporate finance	—	30,516	—	30,516	28,994
International	117	44,659	—	44,776	37,351
Real assets:					
Real estate	15,891	45,993	—	61,884	43,056
Natural resources	—	57,826	—	57,826	42,660
Absolute return:					
Equity oriented	—	76,486	—	76,486	71,437
Global macro/relative value	—	51,259	—	51,259	47,520
Multistrategy	—	60,244	—	60,244	53,981
Credit-oriented	—	43,409	—	43,409	33,928
Protection-oriented	—	14,041	—	14,041	13,036
Fixed income:					
U.S. Treasuries, including TIPS	—	47,810	—	47,810	28,679
Other fixed income	149,645	6,136	—	155,781	176,433
Beneficial interests in trust	—	—	9,284	9,284	—
Funds in trust	—	—	45,760	45,760	51,518
Total investments	$ 395,515	770,033	58,032	1,223,580	931,576

Investments classified as other consist of construction and debt proceeds to pay interest, donor restricted investments in beneficial interests in trusts, workers' compensation, self-insurance, and trustee-held funds. Investments limited as to use are classified as current assets to the extent they are available to meet current liabilities. Investments are presented in the consolidated financial statements as follows:

	2017	2016
Current portion of investments limited to use	$ 20,608	36,768
Investments limited to use, less current portion	1,202,972	894,808
Total investments limited to use	$ 1,223,580	931,576

(Continued)

(Dollars in thousands)

A summary of investments limited as to use for the years ended June 30 is as follows:

	2017			
	UCMC	CHHD	Total	2016
Investments limited as to use:				
By the board for capital improvements/ restrictions by donors	$ 221,013	194,258	415,271	214,017
Funds held by custodian/trustee under indenture agreements	241	2,187	2,428	69
Funds held by trustee for self-insurance	10,444	11,203	21,647	14,749
Collateral for interest rate swap	13,580	620	14,200	36,700
TRIP investments	672,256	97,778	770,034	666,041
Total investments limited to use	$ 917,534	306,046	1,223,580	931,576

The composition of net investment income is as follows for the years ended June 30:

	2017			
	UCMC	CHHD	Total	2016
Interest and dividend income, net	$ 11,249	3,142	14,391	11,141
Realized gains on sales of securities, net	22,694	33,766	56,460	6,451
Unrealized gains (losses) on securities, net	38,613	(20,310)	18,303	(35,951)
	$ 72,556	16,598	89,154	(18,359)

Outside of TRIP, UCMC also invests in private equity limited partnerships. As of June 30, 2017, UCMC has commitments of $1,700 remaining to fund private equity limited partnerships.

Fair Value of Financial Instruments

The overall investment objective of the System is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. The System diversifies its investments among various asset classes incorporating multiple strategies and external investment managers, including the University Investment Office. Major investment decisions for investments held in TRIP and managed by the University are authorized by the University Board of Trustee's Investment Committee, which oversees the University's investment program in accordance with established guidelines.

The carrying amount reported in the consolidated statements of financial position for the following approximates fair value because of the short maturities of these instruments: cash and cash equivalents, accounts payable and accrued expenses, and estimated payables under third-party reimbursement programs. Cash equivalent investments include cash equivalents and fixed-income investments, with maturities of less than one year, which are valued based on quoted market prices in active markets. The majority of these investments are held in U.S. money market accounts. Global public equity investments consist of separate accounts, commingled funds with liquidity ranging from daily to monthly, and limited partnerships. Securities held in separate accounts and daily traded commingled funds are generally valued based on quoted market prices in active markets. Commingled funds with monthly liquidity are valued based on independently determined NAV. Limited partnership interests in equity-oriented funds are valued based upon NAV provided by external fund managers.

Investments in private debt, private equity, real estate, and natural resources are in the form of limited partnership interests, which typically invest in private securities for which there is no readily determinable market value. In these cases, market value is determined by external managers based on a combination of discounted cash flow analysis, industry comparables, and outside appraisals. Where private equity, real estate, and natural resources managers hold publicly traded securities, these securities are generally valued based on market prices. The value of the limited partnership interests is held at the manager's reported NAV, unless information becomes available indicating the reported NAV may require adjustment. The methods used by managers to assess the NAV of these external investments vary by asset class. The University's Investment Office monitors the valuation methodologies and practices of managers on behalf of the System.

The absolute return portfolio comprises investments of limited partnership interests in hedge funds and drawdown private equity style partnerships whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. The majority of the underlying holdings are marketable securities. The remainder of the underlying holdings is held in marketable securities that trade infrequently or in private investments, which are valued by the manager on the basis of an appraised value, discounted cash flow, industry comparables, or some other method. Most hedge funds that hold illiquid investments designate them in special side pockets, which are subject to special restrictions on redemption.

Fixed-income investments consist of directly held actively traded treasuries, separately managed accounts, commingled funds, and bond mutual funds that hold securities, the majority of which have maturities greater than one year. These are valued based on quoted market prices in active markets.

Beneficial interests in trusts represent restricted investments that are assets held by third-party trustees for beneficial interests in perpetual trusts, comprising equities, fixed-income securities, and money market funds.

Funds in trust investments consist primarily of project construction funds and workers' compensation trust funds. Funds in trust comprise 4% cash and cash equivalents, 62% fixed income investments and 34% equity investments at June 30, 2017 and comprised 72% cash and cash equivalents, 16% fixed income investments, and 12% equity investments at June 30, 2016.

(Continued)

(Dollars in thousands)

The System believes that the reported amount of its investments is a reasonable estimate of fair value as of June 30, 2017 and 2016. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed. Assets and liabilities recorded at fair value as of June 30, 2017 and 2016 were as follows:

Assets	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	2017 Total fair value
Cash and cash equivalents	$ 37,446	—	—	37,446
Investments:				
Cash equivalents	46,742	—	—	46,742
Global public equities	130,742	4,470	—	135,212
Private equity – U.S.				
Venture Capital	—	—		—
Real assets:				
Real estate	8,419	—	—	8,419
Natural resources	4,861	—	—	4,861
Absolute return:				
Equity oriented	—	—	—	—
Global macro/relative value	8,312	2,760	—	11,072
Fixed income:				
U.S. Treasuries, including TIPS	47,810	—	—	47,810
Other fixed income	119,634	—	—	119,634
Restricted investments	—	—	9,284	9,284
Funds in trust	25,390	20,370	—	45,760
Investments measured at net asset value[1]	—	—	—	794,786
Total investments at fair value	429,356	27,600	9,284	1,261,026
Other assets	6,587	—	—	6,587
Total assets at fair value	$ 435,943	27,600	9,284	1,267,613
Liabilities				
Interest rate swap payable	$ —	129,450	—	129,450
Total liabilities at fair value	$ —	129,450	—	129,450

(Continued)

(Dollars in thousands)

Assets		Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	2016 Total fair value
Cash and cash equivalents	$	20,335	—	—	20,335
Investments:					
Cash equivalents		14,392	—	—	14,392
Global public equities		96,930	4,104	—	101,034
Real assets:					
Real estate		3,163	—	—	3,163
Absolute return:					
Equity oriented		—	4,702	—	4,702
Global macro/relative value		7,979	2,417	—	10,396
Fixed income:					
U.S. Treasuries, including TIPS		28,679	—	—	28,679
Other fixed income		165,294	—	—	165,294
Funds in trust		51,518	—	—	51,518
Investments measured at net asset value[1]		—	—	—	552,398
Total investments at fair value		388,290	11,223	—	951,911
Other assets		5,850	—	—	5,850
Total assets at fair value	$	394,140	11,223	—	957,761
Liabilities					
Interest rate swap payables	$	—	165,417	—	165,417
Total liabilities at fair value	$	—	165,417	—	165,417

1 Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the balance sheets.

During 2017, there were no transfers between investment Levels 1 and 2 or between Levels 2 and 3. The interest rate swap arrangement has inputs, which can generally be corroborated by market data and is therefore classified within Level 2.

The following table presents activity for the year ended June 30, 2017 for assets measured at fair value using unobservable inputs classified in Level 3:

	Level 3 rollforward
Beginning fair value	$ —
Contribution of CHHD Level 3 net assets	9,087
Change in unrealized gains and losses, net	197
Ending fair value	$ 9,284

In addition, investment securities are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of the System's investments could occur in the next term and that such changes could materially affect the amounts reported in the consolidated financial statements. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the System believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The significant unobservable inputs used in the fair value measurement of the System's long-lived partnership investments include a combination of cost, discounted cash flow analysis, industry comparables, and outside appraisals. Significant changes in any inputs used by investment managers in determining NAVs in isolation would result in a significant changes in fair value measurement.

(Continued)

The System has made investments in various long-lived partnerships and, in other cases, has entered into contractual agreements that may limit its ability to initiate redemptions due to notice periods, lockups, and gates. Details on typical redemption terms by asset class and type of investment are provided below:

	Remaining life	Redemption terms	Redemption restrictions and terms
Cash	N/A	Daily	None
Global public equities:			
Commingled funds	N/A	Daily to triennial with notice periods of 2 to 180 days	Lock-up provisions for up to 3 years; some investments have a portion of capital held in side pockets with no redemptions permitted
Partnerships	N/A	Monthly to biennial with notice periods of 7 to 90 days	Lock-up provisions for up to 4 years; some investments have a portion of capital held in side pockets with no redemptions permitted
Separate accounts	N/A	Daily with notice periods of 1 to 7 days	Lock-up provisions ranging for up to 1 year
Private debt:			
Drawdown partnerships	1 to 11 years	Redemptions not permitted	N/A
Partnerships	N/A	Redemptions not permitted	Capital held in side pockets with no redemptions permitted
Mutual bond and equity funds	N/A	Daily to monthly with notice periods of 1 to 30 days	None
Real estate funds	N/A	Quarterly with notice periods of 45 to 90 days	None
Funds of funds	N/A	Monthly to quarterly with notice periods of 15 to 185 days	None

(Continued)

	Remaining life	Redemption terms	Redemption restrictions and terms
Private equity:			
Drawdown partnerships	1 to 21 years	Redemptions not permitted	N/A
Separate accounts	N/A	Daily with notice period of 1 day	None
Partnerships	N/A	Semi-annual with notice period of 90 days	A portion of capital is held in side pockets with no redemptions permitted
Real estate:			
Drawdown partnerships	1 to 16 years	Redemptions not permitted	N/A
Separate accounts	N/A	Daily with notice period of 5 days	None
Natural resources:			
Drawdown partnerships	1 to 17 years	Redemptions not permitted	N/A
Commingled funds	N/A	Daily with notice period of 1 day	None
Absolute return:			
Commingled funds	N/A	Daily to triennial with notice periods of 1 to 122 days	Lock-up provisions for up to 3 years; some investments have a portion of capital held in side pockets with no redemptions permitted
Drawdown partnerships	1 to 4 years	Redemptions not permitted	N/A
Partnerships	N/A	Quarterly to triennial with notice periods of 45 to 180 days	Lock-up provisions for up to 5 years; some investments have a portion of capital held in side pockets with no redemptions permitted
Fixed income:			
Commingled funds	N/A	Weekly to monthly with notice periods of 5 to 10 days	None
Separate accounts	N/A	Daily to monthly with notice periods of 1 to 30 days	None
Funds in trust	N/A	Daily	None

(8) Endowments

The System's endowment consists of individual donor restricted endowment funds and board-designated endowment funds for a variety of purposes plus the following where the assets have been designated for endowment: pledges receivable, split interest agreements, and other net assets. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. The net assets associated with endowment funds including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(Dollars in thousands)

Illinois is governed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Board of Trustees of UCMC has interpreted UPMIFA as sustaining the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the System classifies as permanently restricted net assets, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the System in a manner consistent with the standard of prudence prescribed by UPMIFA.

The System has beneficial interests in trusts. The System has recorded its share of the principal of the trusts as permanently restricted net assets. Distributions from the trusts are recorded within unrestricted net assets if unrestricted; otherwise, they are classified as temporarily restricted net assets until appropriated for expenditure. In some instances the historical costs basis of the funds is not available as the System received the shares in 1929. The fair value of assets associated with individual donor-restricted endowment funds may fall below the amount of the original donation as a result of unfavorable market conditions. There were no such deficiencies at June 30, 2017 and 2016, respectively.

The System has the following donor-restricted endowment activities during the years ended June 30, 2017 and 2016 delineated by net asset class:

	Unrestricted Funds functioning [1]	Temporarily restricted	Permanently restricted	2017 Total
Endowment net assets, beginning of year	$ 804,437	67,401	8,112	879,950
Investment return:				
Investment income	29,989	804	197	30,990
Net appreciation (realized and unrealized)	42,567	6,843	—	49,410
Total investment return	72,556	7,647	197	80,400
Gifts and other additions	—	750	49	799
Contributions – CHHD net assets	—	4,035	9,087	13,122
Appropriation of endowment assets for expenditure	(40,953)	(4,997)	—	(45,950)
Appropriation of endowment assets for capital	(25,000)	—	—	(25,000)
Other	2,953	371	—	3,324
Endowment net assets, end of year	$ 813,993	75,207	17,445	906,645

[1] Funds functioning relate to UCMC only as CHHD does not have such funds at June 30, 2017.

(Continued)

(Dollars in thousands)

	Unrestricted Funds functioning	Temporarily restricted	Permanently restricted	2016 Total
Endowment net assets, beginning of year	$ 914,479	73,568	8,102	996,149
Investment return:				
Investment income	16,383	737	—	17,120
Net appreciation (realized and unrealized)	(34,742)	(3,162)	—	(37,904)
Total investment return	(18,359)	(2,425)	—	(20,784)
Gifts and other additions	—	—	10	10
Appropriation of endowment assets for expenditure	(44,622)	(4,229)	—	(48,851)
Appropriation of endowment assets for capital	(50,000)	—	—	(50,000)
Other	2,939	487	—	3,426
Endowment net assets, end of year	$ 804,437	67,401	8,112	879,950

The description of amounts classified as permanently restricted net assets and temporarily restricted net assets (endowments only) as of June 30, 2017 and 2016 is as follows:

	Perpetual	Time-restricted by donor	Time-restricted by law	2017 Total
Restricted for pediatric healthcare	$ 1,865	—	16,143	18,008
Restricted for adult healthcare	11,220	—	56,560	67,780
Restricted for educational and scientific programs	4,360	—	2,504	6,864
	$ 17,445	—	75,207	92,652

	Perpetual	Time-restricted by donor	Time-restricted by law	2016 Total
Restricted for pediatric healthcare	$ 1,865	—	15,760	17,625
Restricted for adult healthcare	1,925	—	49,412	51,337
Restricted for educational and scientific programs	4,322	—	2,229	6,551
	$ 8,112	—	67,401	75,513

(Continued)

(Dollars in thousands)

Investment and Spending Policies

The System has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. The System expects its endowment funds to provide an average rate of return of approximately 6% annually. To achieve its long-term rate of return objectives, the System relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). Actual returns in any given year may vary from this amount.

For endowments invested in TRIP, the Board of Trustees of the System has adopted the University's method to be used to appropriate endowment funds for expenditure, including following the University's payout formula. The University utilizes the total return concept in allocating endowment income. In accordance with the University's total return objective, between 4.5% and 5.5% of a 12-quarter moving average of the fair value of endowment investments, lagged by one year, is available each year for expenditure in the form of endowment payout. The exact payout percentage, which is set each year by the Board of Trustees with the objective of a 5% average payout over time, was 5.5% for the fiscal years ended June 30, 2017 and 2016. If endowment income received is not sufficient to support the total return objective, the balance is provided from capital gains. If income received is in excess of the objective, the balance is reinvested in the endowment.

For endowments invested apart from TRIP, the System calculates a payout of 4% annually on a rolling 24-month average market value. In establishing this policy, the Board considered the expected long term rate of return on its endowment.

(9) Property, Plant, and Equipment

The components of property, plant, and equipment as of June 30 are as follows:

		2017	2016
Land and land rights	$	54,505	36,008
Buildings and improvements		1,765,121	1,417,450
Equipment		667,388	524,676
Construction in progress		38,456	197,346
		2,525,470	2,175,480
Less accumulated depreciation		(900,265)	(795,348)
Total property, plant, and equipment, net	$	1,625,205	1,380,132

UCMC's net property, plant, and equipment cost includes $8,700 and $9,200 at June 30, 2017 and 2016 representing assets under capital leases with the University. The cost of buildings that are jointly used by the University and UCMC is allocated based on the lease provisions. In addition, land and land rights include $22,500 and $15,000 for 2017 and 2016, respectively, which represents the unamortized portion of initial lease payments made to the University.

(Continued)

(Dollars in thousands)

A new ambulatory center in Orland Park and the build out for the Center for Care and Discovery third and fourth floors were placed into service in 2017. Capitalized interest costs in 2017 and 2016 were approximately $2,800 and $3,200, respectively. Construction in progress consists primarily of a new Adult Emergency Department and Trauma Center scheduled to open in 2018 and various other renovation projects. As of June 30, 2017, the System had total contractual commitments associated with ongoing capital projects of approximately $181,700.

(10) Long-Term Debt

The UCMC Obligated Group's long-term debt is issued pursuant to the UCMC Amended and Restated Master Trust Indenture (MTI) dated as of November 1, 1998, as subsequently amended and supplemented. UCMC is the only member of the Obligated Group. UCM Care Network, Title Holding Corporation, and CHHD are not members of the UCMC Obligated Group. Each series of bonds is collateralized by the unrestricted receivables of UCMC and subject to certain restrictions under the Master Trust Indenture.

The CHHD Obligated Group's long-term debt is issued pursuant to the CHHD Amended and Restated Master Trust Indenture dated as of October 15, 1995. The CHHD Obligated Group consists of CHHD, Ingalls Memorial Hospital, Ingalls Home Care, and Ingalls Development Foundation.

Long-term debt at June 30, 2017 and 2016 consists of the following:

	Fiscal year maturity	Interest rate	2017	2016
University of Chicago Medical Center:				
Fixed rate:				
Illinois Finance Authority:				
Series 2009A and 2009B, 2009B partially legally defeased in 2017	2027	5.0 %	$ 105,160	138,915
Series 2009C, legally defeased in 2017	2037	4.7	—	60,900
Series 2009D1 and 2009D2 (Synthetically fixed rate)	2044	3.9	70,000	70,000
Series 2009E1 and 2009E2 (Synthetically fixed rate)	2044	3.9	70,000	70,000
Series 2010A and 2010B (Synthetically fixed rate)	2045	3.9	92,500	92,500
Series 2011A and 2011B (Synthetically fixed rate)	2045	3.9	92,500	92,500
Series 2011C, legally defeased in 2017	2042	5.5	—	90,000
Series 2012A	2037	4.7	64,615	66,565
Series 2015A	2029	5.0	21,895	21,895
Series 2016A	2027	5.0	22,830	—
Series 2016B	2042	5.0	164,490	—
Teachers Insurance and Annuity Association of America (TIAA)				
Series 2017A	2047	4.4	30,000	—
Unamortized premium			28,412	10,804
Total fixed rate			762,402	714,079
Variable rate:				
Series 2013A	2020	1.3	72,477	73,757
Illinois Educational Facilities Authority (IEFA)	2038	0.7	72,567	75,671
Total variable rate			145,044	149,428
Unamortized debt issuance costs			(7,108)	(7,213)
Less current portion of long-term debt			(13,868)	(13,255)
Total UCMC long-term portion of debt, less current portion			$ 886,470	843,039

(Continued)

(Dollars in thousands)

	Fiscal year maturity	Interest rate	2017	2016
UCMC Title Holding Corporation:				
Fixed rate:				
Brownfield Revitalization 40 – Promissory note A	2024	1.5 %	$ 4,850	—
Urban Development Fund XLVI – Promissory note A	2024	1.5	4,850	—
Urban Development Fund LI – Promissory note A	2024	1.8	6,500	—
Citi NMTC – QLICI	2032	1.2	3,476	—
Citi NMTC – QLICI	2032	1.2	1,620	—
Total UCMC Title Holding Corporation debt			$ 21,296	—
Community Health and Hospital Division:				
Fixed Rate: Series 2013	2043	3.5–5.0%	$ 61,565	—
Variable Rate: Series 2004	2034	Varies	43,925	—
Revolving credit agreement		LIBOR + 1.25%	3,000	—
Unamortized debt fair value adjustment as part of acquisition			4,739	—
Unamortized debt issuance costs			(618)	—
Total debt and unamortized premiums (discount)			112,611	—
Less current portion of long-term debt			(5,550)	—
Total CHHD debt, excluding current portion			$ 107,061	—
Total notes and bonds payable:				
Less current portion			$ 1,034,245	863,507
Long-term debt, excluding current portion			(19,418)	(13,225)
			$ 1,014,827	850,282

Scheduled annual repayments for the next five years and thereafter are as follows at June 30:

	Amount
Year:	
2018	$ 19,418
2019	17,183
2020	18,003
2021	18,875
2022	19,788
Thereafter	940,978
	$ 1,034,245

UCMC Obligated Group

Under its various credit agreements, UCMC is subject to certain financial covenants, including maintaining a minimum debt service coverage ratio; maintaining minimum levels of days' cash on hand; maintaining debt to capitalization at certain levels; limitations on selling, leasing, or otherwise, disposing of UCMC property; and certain other nonfinancial covenants.

Recent Financing Activity

In November 2016, the Illinois Finance Authority issued $22,830 and $164,490 of Series 2016A and Series 2016B Revenue Refunding Bonds, respectively, allocated to UCMC with Series 2016A bonds refunding a portion of the 2009B bonds and the Series 2016B bonds refunding all of Series 2009C and Series 2011C bonds via a legal defeasance. The Series 2016A and 2016B bonds are secured by a Direct Note Obligation, and were issued pursuant to the Master Trust Indenture. The extinguishment of the Series 2009C and 2011C bonds resulted in a loss on extinguishment of debt of $27,028 recorded as a nonoperating loss in 2017 within the consolidated statements of operations and changes in unrestricted net assets.

In February 2017, UCMC secured a taxable private placement loan through the Teachers Insurance and Annuity Association of America (TIAA) in the amount of $30,000 with interest fixed at 4.4% annually. The proceeds from the financing are utilized for projects, such as the relocation of the adult emergency department, the addition of an adult trauma center, and other capital projects at the medical center campus.

During 2017, UCMC entered into New Market Tax Credit (NMTC) financing agreements with various entities for the purposes of financing various projects at UCMC that would benefit the surrounding community. The NMTC program was established in 2000 by the United States Congress and is administered by the Department of Treasury to encourage private investment in qualifying low-income communities. Pursuant to Section 45(D) of the Internal Revenue Code, UCMC's NMTC structure consists of an NMTC investor (Investor) who provided qualified equity investments to a community development entity (CDE) who in turn provided debt financing to a separate not for profit tax exempt entity, which is a qualified active low income community business (QALICB).

In July 2016, UCMC was a lender in the NMTC structure for the financing of certain equipment. Because UCMC has the power to appoint all board members of UCMC Title Holding Corporation, the QALICB has been consolidated in the financial statements. The Investor made qualifying equity investments into various CDE funds, including Twain Investment Fund 177, LLC and USBCDC Investment Fund 147, LLC (the CDE Funds), which in turn provided debt financing of $16,200 to UCMC Title Holding Corporation to fund qualified costs of equipment, as required under the terms of the agreement. Management anticipates that the NMTC structure will stay in effect through July 2023 when the NMTC tax compliance period expires. At that time, management believes the Investor will exercise its Put Option in the Put and Call Agreement, allowing UCMC to acquire a 100% equity interest in the investment fund for $1. If the Put Option is not exercised, UCMC has the right to call for the purchase of a 100% equity interest in the investment fund at a fair market value. In either case, once the option is exercised, UCMC's loan to the Investment Fund would be extinguished, the investment fund and the CDE Funds would be dissolved, and the loans from the CDE Funds to UCMC Title Holding Corporation would be extinguished.

In June 2017, UCMC was a lender in the NMTC structure for the construction of a new emergency department and adult trauma center. Because UCMC has the power to appoint all board members of UCMC Title Holding Corporation II NFP, the QALICB has been consolidated in the financial statements. The Investor made qualifying equity investments into various CDE funds, including UCMC Trauma Center NMTC Investment Fund, LLC (the CDE Funds), which in turn provided debt financing of $5,096 to UCMC Title Holding Corporation to fund qualified construction costs and equipment, as required under the terms

of the agreement. Management anticipates that the NMTC structure will stay in effect through July 2024 when the NMTC tax compliance period expires. At that time, management believes the Investor will exercise its Put Option in the Put and Call Agreement, allowing UCMC to acquire a 100% equity interest in the investment fund for $5. If the Put Option is not exercised, UCMC has the right to call for the purchase of a 100% equity interest in the investment fund at a fair market value. In either case, once the option is exercised, UCMC's loan to the investment fund would be extinguished, the investment fund and the CDE Funds would be dissolved, and the loans from the CDE Funds to UCMC Title Holding Corporation II NFP would be extinguished.

Letters of Credit

Payment on each of the variable rate demand revenue bonds is also collateralized by a letter of credit. The letter of credit that supports the Series 2009D bonds expires in June 2019. The letter of credit that supports the 2009E bonds expires in December 2018. The letters of credit that support the Series 2010A and Series 2010B bonds expire in November 2020 and November 2018, respectively, and the letters of credit that support the Series 2011A and Series 2011B bonds expire in May 2021. The letters of credit are subject to certain restrictions, which include financial ratio requirements and consent to future indebtedness. The most restrictive financial ratio is to maintain a debt service coverage ratio of 1:25:1. Payment on each of the IEFA bonds is collateralized by a letter of credit maturing November 2019. The letter of credit is subject to certain restrictions, which include financial ratio requirements. The most restrictive financial ratio is to maintain a debt service coverage ratio of 1.75:1. UCMC was in compliance with all applicable debt covenants at June 30, 2017.

Included in UCMC's debt is $72,567 of commercial paper revenue notes and $325,000 of variable rate demand bonds. In the event that UCMC's remarketing agents are unable to remarket the bonds, the trustee of the bonds will tender them under the letters of credit. Scheduled repayments under the letters of credit are between one and three years, beginning after a grace period of at least one year from the event, and bear interest rates different from those associated with the original bond issue. Any bonds tendered are still eligible to be remarketed. Bonds subsequently remarketed would be subject to the original bond repayment schedules.

Community Health and Hospital Division

The Series 2004 Variable Rate Revenue Bonds bear interest at a weekly rate. Holders of the Series 2004 Variable Rate Demand Revenue Bonds have a put option that allows them to require redemptions of the bonds prior to maturity. CHHD Obligated Group has an agreement with an underwriter to remarket any bonds redeemed based on the exercise of put options. The Series 2004 Variable Rate Demand Revenue Bonds are collateralized by a letter of credit, which expires on July 3, 2018, and liquidity facility agreement, as well as a financial guaranty insurance policy. In the event the bank does not renew the letter of credit and a substitute letter of credit is not secured, the Series 2004 bonds would be subject to acceleration. Any liquidity advances as a result of failed remarketing are repayable to the bank commencing 367 days after the liquidity drawing date and continue every quarter thereafter with the outstanding portion of the liquidity advance fully paid on the fifth anniversary of the liquidity drawing date. The Series 2004 bonds have been classified as long-term debt in the accompanying 2016 and 2015 consolidated balance sheets in accordance with the terms of the letter of credit and liquidity facility agreement. The effective interest rate on the Series 2004 bonds was 0.55% for 2017.

(Continued)

(Dollars in thousands)

On January 17, 2013, CHHD issued fixed rate revenue bonds, Series 2013, in the amount of $61,860 through the IFA. The Series 2013 bonds were issued pursuant to the MTI and are subject to mandatory, optional, and extraordinary redemption prior to maturity and mandatory tender. Mandatory redemption or payment at maturity will occur, without premium, on May 15 of each year, beginning in 2017 and continuing through 2043. The Series 2013 obligation will be equally and ratably secured by a security interest in the unrestricted receivables of the members of the CHHD Obligated Group.

UCMC has a $100,000 line of credit from a commercial bank, which expires September 28, 2017. As of June 30, 2017 and 2016, no amount was outstanding under this line. CHHD has a revolving credit agreement of $10,000, which expires on October 31, 2018. As of June 30, 2017, there was $3,000 of outstanding borrowings under this agreement. Interest is paid on draws at LIBOR + 1.25%, which was 2.26% as of June 30, 2017. The effective interest rate for the year ended June 30, 2017 was 2.26%.

Other Debt Related Items

Scheduled principal repayments on long-term debt based on the variable rate demand notes being put back to the System and a corresponding draw being made on the underlying credit facility, if available, are as follows:

Year ending June 30:	
2018	$ 27,885
2019	150,044
2020	168,140
2021	147,575
2022	31,640
Thereafter	508,961
	$ 1,034,245

The System paid interest, net of capitalized interest, of approximately $32,170 and $32,700 in 2017 and 2016, respectively.

(11) Derivative Instruments

The System has interest rate related derivative instruments to manage its exposure on debt instruments. By using derivative financial instruments to manage the risk of changes in interest rates, the System exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contracts. When the fair value of a derivative contract is positive, the counterparty owes the System, which creates credit risk for the System. When the fair value of a derivative contract is negative, the System owes the counterparty, and therefore, it does not possess credit risk; however, the System is required to post collateral to the counterparty when certain thresholds as defined in the derivative agreements are met. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rate changes is managed by establishing and monitoring parameters that limit the types and degree of market risk that may

(Continued)

(Dollars in thousands)

be undertaken. System management also mitigates risk through periodic reviews of their derivative positions in the context of their total blended cost of capital.

The System is required to post collateral under the specific terms and conditions for the various interest rate swap agreements as described below. At June 30, 2017 and 2016, $14,200 and $36,700 was held as collateral, respectively, and recorded in current portion of investments limited to use. Collateral postings are primarily driven by the value of the swap as measured at the reset date. Collateral requirements increase if credit ratings were to be downgraded.

University of Chicago Medical Center Interest Rate Swap Agreement

In August 2006, UCMC entered into a forward starting swap transaction against contemplated variable rate borrowing for the Center for Care and Discovery. This is a cash flow hedge against interest on the variable rate debt. The fair value of these swap agreements is the estimated amount that UCMC would have to pay or receive to terminate the agreements as of the consolidated balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparty. The swap values are based on the London Interbank Rate (LIBOR). The inputs to the fair value estimate are considered Level 2 in the fair value hierarchy. The effective date of the swap was August 2011. In July 2011, UCMC novated the original swap agreement to divide the original notional amount in two equal parts between financial institutions. The fair value of the terminated portion of the hedge on the date of the novation was recorded in net assets in the amount of $35,123 and is being amortized into interest expense over the life of the related debt, commencing on February 23, 2013, the date the Center for Care and Discovery was placed into service. The new agreement is being accounted for as a hedge. The combined notional amount of the swap is $325,000 and the effective start date was August 2011. Management has determined that the interest rate swaps are effective, and have qualified for hedge accounting. Management has recognized ineffectiveness of approximately $2,095 in 2017 and an ineffectiveness of $(2,506) in 2016. This movement reflects the spread between tax-exempt interest rates and LIBOR during the period. The effective portion of these swaps is included in other changes in unrestricted net assets. The interest rate swaps terminate on February 1, 2044. Cash settlement payments related to the swaps were accumulated in net assets while the Center for Care and Discovery was under construction, and are being amortized into depreciation expense over the life of the building. Amortization commenced on February 23, 2013, the date the Center for Care and Discovery was placed into service. Cash settlement payments after the Center for Care and Discovery was placed into service are recorded in interest expense.

The following summarizes the general terms of each of UCMC's swap agreements:

Effective date	Associated debt series	Original term	Current notional amount	UCMC pays	UCMC receives
August 9, 2011	2009 D/E, 2010 A/B, 2011 A/B	32.5 Years	$ 162,500,000	3.89 %	68% of LIBOR
August 9, 2011	2009 D/E, 2010 A/B, 2011 A/B	32.5 Years	162,500,000	3.97	68% of LIBOR

The fair value of each swap is the estimated amount UCMC would receive or pay to terminate the swap agreement at the reporting date, taking into account current interest rates and the current creditworthiness

(Continued)

of the swap counterparties. The fair value is included in interest rate swap liability on the consolidated balance sheets, while the change in fair value is recorded in unrestricted net assets for the effective portion of the change and in nonoperating gains and losses for the ineffective portion of the change.

Community Health and Hospital Division

(a) 2004 Interest Rate Swap Agreement

IMH entered into an interest rate swap agreement on June 28, 2004 to lock in long-term fixed rates on the Series 2004 variable-rate debt issuance, with a notional amount of $48,000 and a maturity date of May 15, 2034. Under the agreement, IMH receives, on a monthly basis, payments at the weekly Securities Industry Financial Market Association (SIFMA) rate. In exchange for this indexed payment received, IMH pays, on a monthly basis, an annualized fixed rate of 4.61% This agreement was amended on March 1, 2013 to include the 2004 basis swap agreement. Under the amended agreement, the notional amount and maturity did not change, and IMH receives, on a monthly basis, 67.00% of one-month LIBOR plus 47.5 basis points and makes payments on a monthly basis, an annualized fixed rate of 4.61%.

The swap is not designated as a hedging instrument, and therefore, the change in fair value of the 2004 interest rate swap agreement was recognized as a component of change in fair value of nonhedged derivative instruments in the accompanying consolidated statements of operations and changes in unrestricted in net assets. The fair value of the Series 2004 interest rate swap agreement liability of $9,575 at June 30, 2017 is included as a component of other long-term liabilities in the accompanying consolidated balance sheets. The change in the fair value of the Series 2004 interest rate swap agreement of $(3,575) in 2017 has been included as a component of change in fair value of nonhedged derivative instruments. The differential to be paid or received under the Series 2004 interest rate swap agreement is recognized monthly and amounted to $(1,253) of net payments during 2017, which have been included as a component of interest and amortization expense in the accompanying consolidated statement of operations and changes in unrestricted net assets.

(b) CMS Basis Swap Agreement

On April 6, 2005, IMH entered into an interest rate swap agreement on the Series 1994, Series 1985B, and Series 1985C debt (Basis Swaps). IMH amended the Basis Swaps on July 13, 2006. The Basis Swaps have a notional amount of $67,835 whereby IMH will receive, on a quarterly basis, 71.75% of one-month LIBOR and make payments at the weekly SIFMA rate until May 14, 2024. The fair value of the Basis Swaps receivable of $283 has been included as a component of other long-term liabilities in the accompanying 2017 consolidated balance sheets, respectively. The Basis Swaps are not designated as a hedging instrument, and therefore, the change in fair value of the Basis Swaps is included as a component of change in fair value of nonhedged derivative instruments in the amount of $(14) in the accompanying 2017 consolidated statements of operations and changes in unrestricted net assets. The differential to be paid or received under the Basis Swaps is recognized monthly and amounted to $240 of net receipts, which have been included as a reduction of $240 of interest and amortization expense and an increase of $0 in change in fair value of nonhedged derivative instruments in the accompanying 2017 consolidated statement of operations and changes in unrestricted net assets.

(Continued)

(Dollars in thousands)

A summary of outstanding positions under the interest rate swap agreements for CHHD at June 30, 2017 is as follows:

Series	Notional amount	Maturity date	Rate received	Rate paid
2004 Interest rate swap agreement:				
2004	$ 28,460	May 15, 2034*	% of LIBOR ***	Fixed 4.61%
CMS basis swap agreement	43,925	May 15, 2024	% of LIBOR**	SIFMA

* Maturity date listed is final maturity date of Series 2004 debt, as notional amounts correspond directly to scheduled debt repayment of the underlying debt.

** Rate received is 71.75% of one-month LIBOR.

*** Rate received is 67.00% of one-month LIBOR plus 47.5 basis points.

(12) Commitments

Leases

The System leases office space and equipment under leases that are classified as operating leases. Future minimum payments required under noncancelable leases as of June 30 are as follows:

	Operating	Capital
2018	$ 5,356	1,492
2019	5,230	1,293
2020	5,142	788
2021	2,546	774
2022 and thereafter	20,812	14,749
	$ 39,086	19,096
Less amount representing interest		8,904
Present value of net minimum capital lease payments		$ 10,192

The amount of total assets capitalized under these leases at both June 30, 2017 and June 30, 2016 is $11,405 and $0 with related accumulated depreciation of $714 and $0, respectively. Rental expense was approximately $7,700 and $6,100 for the years ended June 30, 2017 and 2016, respectively.

(Continued)

(Dollars in thousands)

(13) Insurance

Professional and General Liability

The System maintains separate self-insurance programs for UCMC and CHHD. UCMC is included under certain of the University's insurance programs. Since 1977, UCMC, in conjunction with the University, has maintained a self-insurance program for its medical malpractice liability. This program is supplemented with commercial excess insurance above the University's self-insurance retention, which for the years ended June 30, 2017 and 2016 was $5,000 per claim and unlimited in the aggregate. Claims in excess of $5,000 are subject to an additional self-insurance retention limited to $12,500 per claim and $22,500 in aggregate. There are no assurances that the University will be able to renew existing policies or procure coverage on similar terms in the future.

CHHD maintains a self-insurance program for professional and general liability. Coverage from commercial insurance carriers is maintained for claims in excess of self-insured retentions at various levels by policy year. CHHD established a trust fund with an independent trustee for the administration of assets funded under the malpractice and general liability self-insurance program.

The System has engaged professional consultants for calculating an estimated liability for medical malpractice self-insurance and is actuarially determined based upon estimated claim reserves and various assumptions, and represents the estimated present value of self-insurance claims that will be settled in the future. It considers anticipated payout patterns, as well as interest to be earned on available assets prior to payment. The discount rate used to value the self-insurance liability is a rate commensurate with the duration of anticipated payments.

A comparison of the estimated liability for incurred malpractice claims (filed and not filed) and assets available for claims for the combined University and UCMC self-insurance program as of June 30, 2017 and 2016 is presented below:

	2017	2016
Actuarial present value of self-insurance liability for medical malpractice	$ 236,770	238,213
Total assets available for claims	297,788	300,352

If the present-value method were not used, the ultimate liability for medical malpractice self-insurance claims would be approximately $34,000 higher at June 30, 2017. The interest rate assumed in determining the present value was 3.75% and 3.50% for 2017 and 2016, respectively. UCMC has recorded its pro-rata share of the malpractice self-insurance liability in the amount of $120,939 and $117,410 at June 30, 2017 and June 30, 2016, respectively, with an offsetting receivable from the malpractice trust to cover any related claims. The malpractice self-insurance trust assets consist primarily of funds held in TRIP.

UCMC recognizes as malpractice expense its negotiated pro-rata share of the actuarially determined normal contribution, with gains and losses amortized over five years, with no retroactive adjustments, as provided in the operating agreement. For fiscal year 2018, UCMC's expense is estimated to be approximately $7,900 related to malpractice insurance.

(Continued)

(Dollars in thousands)

CHHD estimated the total liability for self-insured malpractice and general claims at $33,223 at June 30, 2017. Accruals for CHHD professional and general liabilities are recorded on an undiscounted basis.

(14) Pension Plans

Active Plans

A majority of UCMC's personnel participate in the University's defined benefit and contribution pension plans, which are considered multi-employer pension plans. Under the defined benefit portion of this plan, benefits are based on years of service and the employee's compensation for the five highest paid consecutive years within the last ten years of employment. UCMC and the University make annual contributions to this portion of the plan at a rate necessary to maintain plan funding based on the guidelines set forth by the Employee Retirement Income Security Act of 1974, on an actuarially determined basis. UCMC recognizes its share of net periodic pension cost as expense and any difference in the contribution amount as a transfer of unrestricted net assets. The adjustment to net assets was $2,266 and $(4,429) for the years ended June 30, 2017 and 2016. Contributions of $0 and $32,500 were made in the fiscal years ended June 30, 2017 and 2016. UCMC expects to make contributions not to exceed $10,000 for the fiscal year ending June 30, 2018.

Effective January 1, 2017, the 401(a) defined benefit pension plan was frozen for UCMC employees participating in the plan and was replaced with an enhanced defined contribution plan. This curtailment resulted in a current year reduction in the defined benefit pension obligation and a curtailment credit, whereas UCMC's expense for the plans was $12,650 for the year ended June 30, 2017. Under the defined contribution portion of the plan, UCMC and plan participants make contributions that accrue to the benefit of the participants at retirement. UCMC's contributions, which are based on a percentage of each covered employee's salary, totaled approximately $16,400 and $7,800 for the years ended June 30, 2017 and 2016, respectively.

UCMC's expense related the multiemployer University's defined benefit plans included in the University's financial statements for the years ended June 30, 2017 and 2016 is as follows:

Plan name	EIN	Contribution of UCMC 2017	2016
University of Chicago Retirement Income Plan for Employees	36-2177139-002	$ —	4,000
University of Chicago Pension Plan for Staff Employees	36-2177139-003	—	28,500
		$ —	32,500

(Continued)

(Dollars in thousands)

The benefit obligation, fair value of plan assets, and funded status for the University's defined benefit plan included in the University's financial statements as of June 30 are shown below.

		2017	2016
Projected benefit obligation	$	967,817	1,017,137
Fair value of plan assets		772,032	741,696
Deficit of plan assets over benefit obligation	$	(195,785)	(275,441)

The weighted average assumptions used in the accounting for the plan are shown below.

	2017	2016
Discount rate	3.7 %	3.6 %
Expected return on plan assets	6.5	6.5
Rate of compensation increase	3.5	3.5

The weighted average asset allocation for the plan is as follows:

	2017	2016
Domestic equities	26 %	26 %
International equity	21	20
Fixed income	53	54
	100 %	100 %

The pension and other postretirement benefit obligation considers anticipated payout patterns as well as investment returns on available assets prior to payment. The discount rate used to value the pension and other postretirement benefit obligation is a risk-adjusted rate commensurate with the duration of anticipated payments. These inputs to the fair value estimate are considered Level 2 in the fair value hierarchy.

Expected future benefit payments excluding plan expenses are as follows:

Fiscal year:		
2018	$	102,597
2019		60,777
2020		58,878
2021		59,278
2022		58,876
2023–2027		267,576

(Continued)

(Dollars in thousands)

UCMC and CHHD also maintain additional defined contribution retirement plans for employees. The System's pension expense under these distinct defined contribution retirement plans was $8,200 and $5,300 for the years ended June 30, 2017 and 2016, respectively.

Curtailed and Frozen Plan

In June 2002, UCMC assumed sponsorship of the Louis A. Weiss Memorial Hospital Pension Plan (Employer Identification Number 36-3488183, Plan Number 003), which covers employees of a former affiliate. Participation and benefit accruals are frozen. All benefit accruals are fully vested.

Components of net periodic pension cost and other amounts recognized in unrestricted net assets include the following:

	Year ended June 30	
	2017	2016
Net periodic pension cost:		
Service cost	$ —	—
Net periodic pension cost	$ —	—
Other changes in plan assets and benefit obligations recognized in unrestricted net assets:		
Interest cost	$ 2,155	2,513
Expected return on plan assets	(2,976)	(3,009)
Amortization of unrecognized net actuarial loss	1,181	926
Liability for pension benefits	2,918	(4,429)
Total recognized in net periodic pension cost and unrestricted net assets	$ (2,558)	4,859

(Continued)

(Dollars in thousands)

The following table sets forth additional required pension disclosure information for this plan:

	Year ended June 30	
	2017	2016
Changes in projected benefit obligation:		
Benefit obligation at beginning of year	$ 63,511	60,318
Interest cost	2,155	2,513
Net actuarial loss (gain)	(1,001)	4,236
Benefits paid	(3,560)	(3,556)
	61,105	63,511
Changes in plan assets:		
Fair value of plan assets at beginning of year	50,371	52,037
Actual return on plan assets	3,711	1,890
Employer contribution	—	—
Benefits paid	(3,560)	(3,556)
	50,522	50,371
Funded status at end of year	$ (10,583)	(13,140)

Amounts recognized in the consolidated balance sheets are included in noncurrent liabilities.

Accumulated plan benefits equal projected plan benefits. Assumptions used in the accounting for the net periodic pension cost were as follows:

	2017	2016
Discount rate	3.7 %	3.5 %
Expected return on plan assets	6.0	6.0
Rate of compensation increase	N/A	N/A

Weighted average asset allocations for plan assets are as follows:

	2017	2016
Cash	1 %	3 %
Fixed income	60	60
Domestic equities	27	27
International equities	12	10
	100 %	100 %

(Continued)

(Dollars in thousands)

All plan assets are valued using Level 1 inputs in 2017 and 2016. The target asset allocation is 40% equities and 60% fixed income. The expected return on plan assets is based on historical investment returns for similar investment portfolios.

UCMC expects to make contributions of $3,000 to the plan in the fiscal year ended June 30, 2017.

Expected future benefit payments are as follows:

Fiscal year:	
2018	$ 4,011
2019	3,985
2020	4,000
2021	3,962
2022	3,958
2023–2027	19,496

(15) Pledges

Pledges receivable at June 30 are comprised of:

	2017	2016
Unconditional promises expected to be collected in:		
Less than one year	$ 1,256	1,661
One year to five years	2,440	2,602
More than five years	—	—
	3,696	4,263
Less unamortized discount (discount rate 4.14%)	(77)	(113)
Total	$ 3,619	4,150

(16) Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of June 30:

	2017	2016
Pediatric healthcare	$ 20,220	18,064
Adult healthcare	57,890	52,285
Educational and scientific programs	6,071	5,254
Capital and other purposes	6,280	6,322
Total	$ 90,461	81,925

(Continued)

(Dollars in thousands)

Income from permanently restricted net assets is restricted for:

	2017	2016
Pediatric healthcare	$ 3,941	1,865
Adult healthcare	4,287	1,935
Educational and scientific programs	9,217	4,312
Total	$ 17,445	8,112

(17) Functional Expenses

Total operating expenses by function are as follows for the years ended June 30:

	2017	2016
Healthcare services	$ 1,765,085	1,403,939
General and administrative	158,001	106,256
Total	$ 1,923,086	1,510,195

(18) Contingencies

The System is subject to complaints, claims, and litigation, which have risen in the normal course of business. In addition, the System is subject to reviews by various federal and state government agencies to assure compliance with applicable laws, some of which are subject to different interpretations. While the outcome of these suits cannot be determined at this time, management, based on advice from legal counsel, believes that any loss that may arise from these actions will not have a material adverse effect on the financial position or results of operations of the System.

(a) Medicare and Medicaid Reimbursement

For the year ended June 30, 2017, the System recognized approximately 24.6% of net patient service revenue from services provided to Medicare beneficiaries. Recently enacted healthcare reform and other Medicare legislation may have an adverse effect on UCMC's net patient service revenue. Medicaid-payment methodologies and rates may be subject to modification based on the amount of funding available to the State of Illinois Medicaid Program.

The System has received and expects to receive future notices from the Medicare program requiring that they provide Medicare with documentation for claims to carry out the Recovery Audit Contract (RAC) program. The System is responding to these requests. Review of claims through the RAC program may result in a liability to the Medicare program and could have an adverse impact on the System's net patient service revenue.

(Continued)

(b) The Patient Protection and Affordable Care Act and Other Enacted Legislation

In March 2010, the Patient Protection and Affordable Care Act of 2010 (the Affordable Care Act) was enacted. Some of the provisions of the Affordable Care Act took effect immediately, while others will take effect or will be phased in over time, ranging from a few months to ten years following approval. The Affordable Care Act was designed to make available, or subsidize the premium costs of, healthcare insurance for some of the millions of currently uninsured or underinsured consumers below certain income levels. An increase in utilization of healthcare services by those who are currently avoiding or rationing their healthcare was expected. Although bad debt expenses and/or charity care provided were expected to be reduced, increased utilization would be associated with increased variable and fixed costs of providing healthcare services, which may or may not be offset by increased revenue.

The Affordable Care Act contains more than 32 sections related to healthcare fraud and abuse and program integrity. The potential for increased legal exposure related to the Affordable Care Act's enhanced compliance and regulatory requirements could increase operating expenses.

The System continues to analyze the Affordable Care Act to assess its effects on current and projected operations, financial performance, and financial condition.

(c) Regulatory Investigations

The U.S. Department of Justice and other federal agencies routinely conduct regulatory investigations and compliance audits of healthcare providers. The System is subject to these regulatory efforts. Additionally, the laws and regulations governing the Medicare, Medicaid, and other government healthcare programs are extremely complex and subject to interpretation, making compliance an ongoing challenge for The System and other healthcare organizations. Recently the federal government has increased its enforcement activity, including audits and investigations related to billing practices, clinical documentation, and related matters. The System maintains a compliance program and conducts audits and other activities to identify potential compliance issues, including overpayments to governmental payors.

(d) Tax Exemption for Sales Tax and Property Tax

Effective June 14, 2012, the Governor of Illinois signed into law, Public Act 97-0688, which creates new standards for state income tax and property tax exemptions in Illinois. The law establishes new standards for the issuance of charitable exemptions, including requirements for a nonprofit hospital to certify annually that in the prior year, it provided an amount of qualified services and activities to low-income and underserved individuals with a value at least equal to the hospital's estimated property tax liability. The System has not recorded a liability for related property taxes based upon management's current determination of qualified services provided.

Schedule 1

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidating Balance Sheet Information

June 30, 2017

(Dollars in thousands)

	The University of Chicago Medical Center	The University of Chicago Medicine Care Network	UCMC Title Holding Corporation	Community Health and Hospital Division	Eliminations	Consolidated total
Assets						
Current assets:						
Cash and cash equivalents	$ 13,742	28	5,453	18,225	—	37,446
Patient accounts receivable, net of estimated uncollectibles of $140,878	391,031	322	—	40,747	—	432,100
Current portion of investments limited to use	13,821	—	—	6,787	—	20,608
Current portion of malpractice self-insurance receivable	21,141	—	—	—	—	21,141
Current portion of pledges receivable	1,256	—	—	—	—	1,256
Due from affiliates	13,780	—	—	—	(13,780)	—
Prepaids, inventory, and other current assets	65,379	806	1,683	19,060	(1,007)	85,921
	—	—	—	—	—	—
Total current assets	520,150	1,154	7,136	84,819	(14,787)	598,472
Investments, limited as to use, less current portion	903,713	—	—	299,259	—	1,202,972
Property, plant, and equipment, net	1,436,386	785	—	188,034	—	1,625,205
Pledges receivable, less current portion	2,363	—	—	—	—	2,363
Malpractice self-insurance receivable, less current portion	99,798	—	—	—	—	99,798
Other assets, net	353,832	1,096	16,481	8,147	(340,902)	38,654
Total assets	$ 3,316,242	3,035	23,617	580,259	(355,689)	3,567,464
Liabilities and Net Assets						
Current liabilities:						
Accounts payable and accrued expenses	$ 165,991	662	408	55,711	(177)	222,595
Current portion of long-term debt	13,868	—	—	5,550	—	19,418
Current portion of other long-term liabilities	1,205	—	—	—	(1,007)	198
Estimated third-party payor settlements	160,678	—	—	17,503	—	178,181
Current portion of malpractice self-insurance liability	21,141	—	—	—	—	21,141
Due to affiliates	—	13,192	411	—	(13,603)	—
Due to the University of Chicago	28,725	—	—	—	—	28,725
Total current liabilities	391,608	13,854	819	78,764	(14,787)	470,258
Workers' compensation self-insurance liability, less current portion	5,980	—	—	—	—	5,980
Malpractice self insurance liability, less current portion	99,798	—	—	31,737	—	131,535
Long-term debt, excluding current installments	888,470	—	21,296	107,061	—	1,014,827
Interest rate swap liability	120,158	—	—	9,292	—	129,450
Other long-term liabilities, less current portion	50,561	—	1,560	10,388	(18,040)	44,469
Total liabilities	1,554,575	13,854	23,675	237,242	(32,827)	1,796,519
Net assets (deficit):						
Unrestricted	1,654,070	(10,819)	(58)	329,586	(309,740)	1,663,039
Temporarily restricted	90,349	—	—	4,147	(4,035)	90,461
Permanently restricted	17,248	—	—	9,284	(9,087)	17,445
Total net assets	1,761,667	(10,819)	(58)	343,017	(322,862)	1,770,945
Total liabilities and net assets	$ 3,316,242	3,035	23,617	580,259	(355,689)	3,567,464

See accompanying independent auditors' report.

Schedule 2

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidating Statement of Operations and Changes in Unrestricted Net Assets Information

For the year ended June 30, 2017

(Dollars in thousands)

	The University of Chicago Medical Center	The University of Chicago Medicine Care Network	UCMC Title Holding Corporation	Community Health and Hospital Division	Eliminations	Consolidated total
Revenue:						
Net patient service revenue	$ 1,755,874	2,766	—	250,919	—	2,009,559
Provision for doubtful accounts	138,317	—	—	14,571	—	152,888
Net patient service revenue less provision for doubtful accounts	1,617,557	2,766	—	236,348	—	1,856,671
Other operating revenue and net assets released from restrictions	120,651	1,801	618	27,201	(1,481)	148,790
Total operating revenues	1,738,208	4,567	618	263,549	(1,481)	2,005,461
Operating Expenses:						
Salaries, wages, and benefits	736,797	9,238	—	113,606	—	859,641
Supplies and other	485,577	3,006	81	95,011	(31)	583,644
Physician services	229,709	985	—	21,630	(832)	251,492
Insurance	11,083	643	—	6,068	—	17,794
Interest	35,757	—	595	3,682	(618)	39,416
Medicaid provider tax	41,753	—	—	12,071	—	53,824
Depreciation and amortization	102,985	349	—	13,941	—	117,275
Total operating expenses	1,643,661	14,221	676	266,009	(1,481)	1,923,086
Operating revenue in excess of expenses	94,547	(9,654)	(58)	(2,460)	—	82,375
Nonoperating gains (losses), net:						
Investment income (loss) and unrestricted gifts, net	72,556	—	—	16,598	—	89,154
Loss on extinguishment of debt	(27,028)	—	—	—	—	(27,028)
Contribution of CHHD unrestricted net assets	309,740	—	—	309,740	(309,740)	309,740
Change in fair value of nonhedged derivative instruments	—	—	—	3,561	—	3,561
Derivative ineffectiveness on hedged derivative instruments	2,095	—	—	—	—	2,095
Distributions and other, net	—	—	—	2,498	—	2,498
Net nonoperating gains (losses)	357,363	—	—	332,395	(309,740)	380,018
Revenue and gains in excess (deficient) of expenses and losses	451,910	(9,654)	(58)	329,935	(309,740)	462,393
Other changes in net assets:						
Equity transfers to University of Chicago, net	(71,750)	—	—	—	—	(71,750)
Change in accrued pension benefits other than net periodic benefit costs	2,266	—	—	—	—	2,266
Effective portion of change in valuation of derivatives	44,863	—	—	—	—	44,863
Other, net	—	—	—	(349)	—	(349)
Increase (decrease) in unrestricted assets	$ 427,289	(9,654)	(58)	329,586	(309,740)	437,423

See accompanying independent auditors' report.

Schedule 3

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidating Statement of Changes in Net Assets Information

For the year ended June 30, 2017

(Dollars in thousands)

	The University of Chicago Medical Center	The University of Chicago Medicine Care Network	UCMC Title Holding Corporation	Community Health and Hospital Division	Eliminations	Consolidated total
Unrestricted net assets:						
Revenue and gains in excess of expenses and losses	$ 451,910	(9,654)	(58)	329,935	(309,740)	462,393
Equity transfers to University of Chicago, net	(71,750)	—	—	—	—	(71,750)
Change in accrued pension benefits other than net periodic benefit cost	2,266	—	—	—	—	2,266
Effective portion of change in valuation of derivatives	44,863	—	—	—	—	44,863
Other, net	—	—	—	(349)	—	(349)
Increase (decrease) in unrestricted net assets	427,289	(9,654)	(58)	329,586	(309,740)	437,423
Temporarily restricted net assets:						
Contributions	2,687	—	—	750	—	3,437
Net assets released from restrictions used for operating purposes	(5,880)	—	—	(638)	—	(6,518)
Investment income	7,582	—	—	—	—	7,582
Contribution of CHHD temporarily restricted net assets	4,035	—	—	4,035	(4,035)	4,035
Decrease in temporarily restricted net assets	8,424	—	—	4,147	(4,035)	8,536
Permanently restricted net assets:						
Contribution of CHHD permanently restricted net assets	9,087	—	—	9,087	(9,087)	9,087
Contributions and other	49	—	—	197	—	246
Change in net assets	444,849	(9,654)	(58)	343,017	(322,862)	455,292
Net assets at beginning of year	1,316,818	(1,165)	—	—	—	1,315,653
Net assets at end of year	$ 1,761,667	(10,819)	(58)	343,017	(322,862)	1,770,945

See accompanying independent auditors' report.

Section IX, Financial Viability

Attachment 37

Financial Viability

UCMC's most recent bond ratings from Fitch Ratings (AA-), Standard & Poor's (AA-) and Moody's (Aa3) are attached.

ATTACHMENT 37

Section VII 1120.120 Availability of Funds

Section 1120.120

The University of Chicago Medical Center received the following ratings, with the oldest dated January 31, 2018:

Moody's Investors Service	Aa3
S&P Global	AA-
Fitch Ratings	AA-

Supporting documents from these agencies are provided in this section. Section VII therefor does not need to be addressed.

MOODY'S
INVESTORS SERVICE

7 World Trade Center
250 Greenwich Street
New York 10007
www.moodys.com

May 4, 2018

Ms. Ann McColgan
Vice President
The University of Chicago Medical Center
150 Harvester Drive, Suite 300
Burr Ridge, IL 60527

Dear Ms. McColgan:

We wish to inform you that on April 19, 2018, Moody's Investors Service changed the rating outlook of the University of Chicago Medical Center to **negative** from **stable**. At the same time, Moody's affirmed UCMC's **Aa3** long term revenue bond ratings.

Credit ratings issued by Moody's Investors Service, Inc. and its affiliates ("Moody's") are Moody's current opinions of the relative future credit risk of entities, credit commitments, or debt or debt-like securities and are not statements of current or historical fact. Moody's credit ratings address credit risk only and do not address any other risk, including but not limited to: liquidity risk, market value risk, or price volatility.

This letter uses capitalized terms and rating symbols that are defined or referenced either in *Moody's Definitions and Symbols Guide* or *MIS Code of Professional Conduct* as of the date of this letter, both published on www.moodys.com. The Credit Ratings will be publicly disseminated by Moody's through normal print and electronic media as well as in response to verbal requests to Moody's Rating Desk. Moody's related research and analyses will also be published on www.moodys.com and may be further distributed as otherwise agreed in writing with us.

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Moody's has not consented and will not consent to being named as an expert under applicable securities laws, such as section 7 of the Securities Act of 1933. The assignment of a rating does not create a fiduciary relationship between Moody's and you or between Moody's and other recipients of a Credit Rating. Moody's Credit Ratings are not and do not provide investment advice or recommendations to purchase, sell or hold particular securities. Moody's issues Credit Ratings with the expectation and understanding that each investor will make its own evaluation of each security that is under consideration for purchase, sale or holding.

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May 4, 2018

Ms. Ann McColgan
Vice President
The University of Chicago Medical Center
150 Harvester Drive, Suite 300
Burr Ridge, IL 60527

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If there is a conflict between the terms of this rating letter and any related Moody's rating application, the terms of the executed rating application will govern and supercede this rating letter.

Should you have any questions regarding the above, please do not hesitate to contact the analyst assigned to this transaction, Diana Lee at 212-553-4747.

Sincerely,
Moody's Investors Service Inc
Moody's Investors Service Inc.

S&P Global
Ratings

130 East Randolph
Street
Suite 2900
Chicago, IL 60601
tel 312-233-7000
reference no.:846035

January 31, 2018

University of Chicago Medical Center
8201 South Cass Avenue
Darien, IL 60561
Attention: Ms. Ann M. McColgan, Treasurer

Re: ***Illinois Finance Authority (University Of Chicago Medical Center) , Illinois***

Dear Ms. McColgan:

S&P Global Ratings hereby affirms its rating of "AA-" for the above-referenced obligations and stable outlook. A copy of the rationale supporting the rating and outlook is enclosed.

This letter constitutes S&P Global Ratings' permission for you to disseminate the above rating to interested parties in accordance with applicable laws and regulations. However, permission for such dissemination (other than to professional advisors bound by appropriate confidentiality arrangements) will become effective only after we have released the rating on standardandpoors.com. Any dissemination on any Website by you or your agents shall include the full analysis for the rating, including any updates, where applicable.

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Please send hard copies to:

S&P Global Ratings
Public Finance Department
55 Water Street
New York, NY 10041-0003

The rating is subject to the Terms and Conditions, if any, attached to the Engagement Letter applicable to the rating. In the absence of such Engagement Letter and Terms and Conditions, the rating is subject to the attached Terms and Conditions. The applicable Terms and Conditions are incorporated herein by reference.

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S&P Global Ratings
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No Third Party Beneficiaries. Nothing in any credit rating engagement, or a credit rating when issued, is intended or should be construed as creating any rights on behalf of any third parties, including, without limitation, any recipient of a credit rating. No person is intended as a third party beneficiary of any credit rating engagement or of a credit rating when issued.

FitchRatings

Fitch Affirms University of Chicago Medical Center (IL) Revenue Bonds at 'AA-'; Outlook Stable

Fitch Ratings-Chicago-18 June 2018: Fitch Ratings has assigned a 'AA-' Issuer Default Rating (IDR) to the University of Chicago Medical Center (UCMC) and affirmed the 'AA-' rating on approximately $750 million of revenue bonds issued by the Illinois Finance Authority on behalf of UCMC. The Rating Outlook is Stable.

SECURITY

Debt payments are secured by a pledge of unrestricted receivables of the UCMC obligated group. Ingalls Health System, which joined UCMC in October 2016, is not yet a member of the obligated group.

ANALYTICAL CONCLUSION

The 'AA-' rating is driven by UCMC's strong financial profile assessment under the "U.S. Not-For-Profit Hospitals and Health Systems Rating Criteria" (published January 2018) in the context of the system's mid-range revenue defensibility and strong operating risk profile assessments. The rating reflects UCMC's capital-related ratios that are strong through-the-cycle in Fitch's rating case, broad reach for high-acuity services, broadly stable service area characteristics, very tight relationship with the University of Chicago (rated AA+), and Fitch's expectation that operating EBITDA margin will improve in the coming years as the system continues to absorb Ingalls Health System (which joined UCMC early in fiscal 2017 and is now known as the UCM Community Health and Hospital Division). These characteristics are balanced by a high degree of competition in the Chicago area and continued challenges at Ingalls.

KEY RATING DRIVERS

Revenue Defensibility: 'bbb'; Broad Reach for High-Acuity Services; Competitive Market

UCMC's revenue defensibility is mid-range. UCMC faces considerable competition in the Chicago area, although the system has considerable reach for high-acuity academic services. Moreover, UCMC is a component unit of the University of Chicago (AA+). The service area quality of the broad Chicago area is generally stable.

Operating Risk: 'a'; More Favorable Results Expected after Somewhat Modest 2018

UCMC's operating risk profile is strong. The system's operating EBITDA margin is expected to be consistent with a strong profile assessment over the long term, despite compressed margins in interim fiscal 2018. Capital spending plans are manageably elevated and flexible.

Financial Profile: 'aa'; Strong Capital-Related Ratios Through the Cycle

UCMC's financial profile is very strong. Fitch expects the system's capital-related ratios to be consistent with the lower range of the 'AA' category through the cycle in the out years of the stressed rating case of Fitch's FAST scenario analysis.

Asymmetric Additional Risk Considerations

There are no asymmetric risk factors associated with UCMC's rating.

RATING SENSITIVITIES

SUSTAINED OPERATING EBITDA MARGINS: Fitch expects UCMC's operating EBITDA margin to rebound after somewhat compressed results in fiscal 2018. In the long term, Fitch believes UCMC's operating EBITDA margin will be sustained at above 8% or higher. Fitch expects that under the stressed rating case, UCMC's capital-related ratios should be consistent with the lower end of the broad 'AA' category, given the system's mid-range revenue defensibility and strong operating risk profile. Failure to sustain operating EBITDA margins consistent with a strong operating risk profile would likely begin to pressure the rating, particularly if compounded with more modest liquidity.

CREDIT PROFILE

Revenue Defensibility

UCMC's payor mix is mid-range, although boarder-line weak. Through nine-months fiscal 2018, Medicaid (23.2%) and self-pay (1.8%) combined for 25.0% of the system's gross revenue. This is consistent with recent years, as Medicaid and self-pay combined for 25.2% of fiscal 2017 gross revenue and 25.0% of fiscal 2016. Fitch notes that academic medical centers (AMC), particularly those with a sizeable children's services similar to UCMC's Comer Children's Hospital, tend to have high exposure to Medicaid that is not reflective of the overall financial health of the organization. Both Illinois and Indiana expanded Medicaid under the Affordable Care Act (ACA).

Despite facing considerable competition in the service area, Fitch considers UCMC's market position to be mid-range. UCMC's primary service area (PSA) includes the south Chicago metro area and extends well into Northwest Indiana. The total service area (TSA) extends throughout the entirety of the Chicago metro area.

The TSA is very competitive, with no individual hospital capturing more than 4.2% market share (Northwestern Memorial Hospital). UCMC is the fifth largest hospital in the TSA by market share, capturing 2.7% share in calendar 2016 (up from 2.1% in calendar 2012, due to UCMC's growth strategies in recent years).

UCMC achieves the mid-range market position due to the system's considerable reach for very high-acuity services aided by the very tight relationship with the University of Chicago. UCMC is among the industry national leaders for research-oriented academic clinical services, including oncology. This status is bolstered by UCMC's relationship with the University of Chicago. The university is the sole corporate member of UCMC and appoints the entirety of UCMC's board. To illustrate the level of integration, the university's Biological Sciences Division (BSD), of which UCMC is a fundamental part, comprises over half of the university's budget. In addition to governance overlap, there is considerable management integration between UCMC and the university; for example, Dr. Kenneth Polonsky, the Executive Vice President of the BSD is also the President of the UC Health System.

UCMC's service area economy is stable. As a major metro area, Chicago benefits from a diversified economy. Population trends in Cook County are stagnant, although Will County immediately south of Cook has experienced modest population growth. The median household income level in Cook County is just above the national average, while well above average in Will County. The unemployment rate in the Chicago-Naperville-Elgin metropolitan statistical area is just below the national average.

Operating Risk

UCMC's operating cost flexibility is strong. The system's operating EBITDA margin averaged 8.5% between fiscal 2014 and fiscal 2017 (equity transfers to the university treated as an operating expense). UCMC's operating EBITDA margin compressed to 7.6% through unaudited nine-months fiscal 2018, due in part to continued integration of Ingalls into the system. Despite the softer margins in interim 2018, Fitch expects UCMC to sustain stronger margins at least in-line with recent trends or better. Moreover, while Fitch considers the roughly $72 million of annual equity transfers from UCMC to the university as an operating expense, Fitch recognizes that this expense represents investments in UCMC's operating platform supporting areas such as clinical research and physician integration.

A key driver for UCMC's cash flow generation in recent years has been rapid volume growth. For example, adult inpatient discharges have increased by a compound annual growth rate (GAGR) of over 9% between fiscal 2011 and fiscal 2016. This growth was due in large part to a change in strategy from UCMC being focused almost

exclusively on ultra-high-acuity services to more broad-based. While the rate of growth may tapper, continued volume growth should continue as UCMC has made considerable investments in recent years to expand its ambulatory and outpatient cancer reach, its new adult ED opened in December 2017, and the trauma center opened in May 2018.

These investments should fuel continued top-line revenue growth. In order to enhance operating margins, UCMC has also engaged a consultancy to develop multiple near-term and long-term expense management tools, including reduced overtime, minimized clinical variation, reduced length of stay, and pharmacy and other supply cost savings. Continued efficiencies and optimization of Ingalls should drive improved margins as well.

UCMC's capital expenditure requirements are manageably elevated. The system has invested heavily in capital in recent years (the capital spending ratio averaged 193% between fiscal 2013 and fiscal 2017), translating to a very low average age of plant of 7.7 years. Recent key investments included large outpatient centers in Orland Park, IL and the South Loop neighborhood of Chicago and expansion of Mitchell Hospital on the main campus. UCMC has approximately $760 million of capital spending plans between fiscal 2019 and fiscal 2023, just over the expected level of depreciation expense over the period. Outpatient development and cancer are areas of focus of future investments. Capital plans include $175 million in the Ingalls market over 10 years. Fitch believes UCMC has considerable flexibility in its capital plans. No future debt issuances or acquisitions have been factored into this rating; however, it is Fitch's opinion that the Chicago market is on a path to further consolidation, which may present UCMC – and others in the market – with strategic decisions to make in the future. UCMC implemented the Epic electronic medical record (EMR) system in 2016.

Financial Profile

UCMC's financial profile is very strong. The system's capital-related ratios should be consistent with the lower range of the broad 'AA' category through the cycle in the out years of the stressed rating case of Fitch's FAST scenario analysis, given UCMC's mid-range revenue defensibility and strong operating risk profile.

UCMC had just over $1.03 billion of total debt outstanding as of unaudited March 31, 2018. Unrestricted cash and investments at March 31, 2018 measured nearly $1.2 billion.

UCMC's debt equivalents are manageable. The system participates in the University of Chicago's defined benefit pension plan. The pension plan was 80% funded at fiscal year-end 2017 compared to a projected benefit obligation (PBO) of $545 million. Because the plan is more than 80% funded, Fitch does not include the underfunded status in calculating adjusted debt. Operating lease expense was $7.7 million in fiscal 2017, translating to a debt equivalent of $38.5 million (based on 5x lease expense method). Consequently, UCMC's adjusted debt (direct debt plus underfunded defined benefit pension plan below 80% funded plus operating leases) measured $1.07 billion at fiscal year-end 2017. Net adjusted debt (adjusted debt minus unrestricted cash and investments) measured a negative $95 million at fiscal year-end 2017 and a Fitch estimated negative $113 million at March 31, 2018. Fitch expects net adjusted debt to remain favorably negative through the cycle in the FAST base case and return to a negative position by year four in the stressed rating case.

Per Fitch's scenario analysis, UCMC's capital-related ratios should be consistent with the low-end of the broad 'AA' rating category by year five of the stressed rating case. Based on annualizing fiscal 2018 results, UCMC's net adjusted debt-to-adjusted EBITDA is -0.7x and cash-to-adjusted debt 115%. Through the cycle in the stressed rating case (which assumes a modest recession in year one followed by a modest recovery and then stability), net adjusted debt-to-adjusted EBITDA is favorably negative by years four and five and cash-to-adjusted debt reaches 120% by year five.

Asymmetric Additional Risk Considerations

There are no asymmetric risk factors associated with UCMC's rating. The system has a stable management team. A new CFO joined UCMC within the last year, who recently held a similar position with Partners Health (rated AA-). A new Chief Physician/Dean of Clinical Affairs joined UCMC from Johns Hopkins (AA-). There are no retirements planned among key senior management in the next two years.

With over 200 days cash on hand, liquidity does not pose an asymmetric risk.

Debt Structure
Maximum annual debt service (MADS) is $60.2 million, inclusive of Ingalls debt (2.7% of 2018 annualized revenue). MADS coverage is 3.7x based on interim fiscal 2018 and does not pose an asymmetric risk. Approximately 40% of UCMC's debt is demand debt in the form of commercial paper (CP) and variable rate demand bonds (VRDB), supported by letters of credit with staggered termination dates. UCMC has three fixed payor interest rate swaps (total notional amount of $353 million) (the system terminated its basis swap in December 2017). The net termination value of the swaps at March 31, 2018 was negative $103 million to UCMC.

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Additional information is available on www.fitchratings.com

Applicable Criteria

Rating Criteria for Public-Sector, Revenue-Supported Debt (pub. 26 Feb 2018) (https://www.fitchratings.com/site/re/10020113)
U.S. Not-For-Profit Hospitals and Health Systems Rating Criteria (pub. 09 Jan 2018) (https://www.fitchratings.com/site/re/913974)

Additional Disclosures

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Section X, Economic Feasibility

Attachment 37

Economic Feasibility

A. Reasonableness of Financing Arrangements.

The Project will be financed through cash on hand and securities and a lease. A letter attesting to the reasonableness of the financing arrangement is attached.

B. Conditions of Debt Financing.

This Project is being paid for through cash and securities and therefore, these criteria do not apply.

C. Reasonableness of Project and Related Costs.

	COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE								
Department	A	B	C	D	E	F	G	H	Total
(list below)	Cost/Sq. Foot		Gross Sq. Ft.		Gross Sq. Ft.		Const. $	Mod. $	Costs
	New	Mod.	New	Circ.	Mod	Circ.	(A x C)	(B x E)	(G + H)
Reviewable:									
Imaging	245.51		4,460	32.7%			$1,094,882		$1,094,882
Sleep Studies	189.24		2,937	33.3%			555,723		555,723
Laboratories	189.24		554	31.8%			104,868		104,868
Infusion Therapy	232.35		693	33.3%			160,950		160,950
Reviewable Total	221.73		8,643	32.9%			1,916,423		1,916,423
Non-reviewable:									
Physician Offices	232.35		15,711	32.5%			3,650,428		3,650,428
Public	240.07		7,271	32.9%			1,745,582		1,745,582
Staff/Support	182.05		10,462	33.1%			1,904,567		1,904,567
Building Systems	1,297.29		619	32.2%			803,340		803,340
Non-reviewable Total	237.91		34,063	32.8%			8,103,917		8,103,917
Contingency	23.46						1,002,034		1,002,034
TOTALS	$258.10		42,706	32.8%			$11,022,374		$11,022,374

Note: Building gross square footage is used.

Note: Tenant Improvement Allowance of $4.27m not subtracted from construction.

ATTACHMENT 37

D. Project Operating Costs.

		Grand Ave.	Infusion	
		MOB	Therapy	Mammo
Compensation		10,834,189	236,844	467,550
Supplies		1,559,862	1,684,226	33,075
Services and Other		820,517	17,855	387,194
Total Operating Costs		13,214,568	1,938,925	887,819
Workload Units		65,750	520	4,500
Annual Operating Cost Per Unit		$201	$3,729	$197
2018 dollars				
MOB includes Imaging, Sleep Studies, Lab, Physician Costs. Divisor is visits and does not include other workload units.				

E. Total Effect of Project on Capital Costs.

While equivalent patient days do not exist for this MOB, available information has been provided.

		FY2022				
Annual Project Depreciation		$1,641,887				
Equivalent Patient Days		NA	Does not exist for this MOB			
Capital Cost Per Equivalent Day		NA				
Univ. of Chicago Medical Center Capital Cost for FY2017		$156,691,000				

ATTACHMENT 37

AT THE FOREFRONT
UChicago Medicine

Richard W. Silveria
Executive Vice President and
Chief Financial Officer

July 31, 2018

Ms. Courtney Avery, Administrator
ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

Re: The University of Chicago Medical Center, Reasonableness of Financing Arrangements 1120.140(b)(3)

Dear Ms. Avery:

Of the $29,275,770 estimated cost of the proposed project (Downtown Chicago Medical Office Building), $9,483,218 will be funded by a lease. This is considered debt financing. The cost of building versus leasing would be $24 million higher since this is the estimated cost of buying a site in the intended location. Thus, leasing is the lower cost option.

Recent Land Sales in Project Area

Sale Date	Building Name	Address	Sale Price	Area (s.f.)	$/sf
4/24/2013	Optima Center Chicago	220 E. Illinois St.	$29,000,000	43,560	$666
11/20/2014	Surface Parking	441 N. Wabash Ave.	42,000,000	64,382	$652
12/27/2012	Land-CA Apartment Site	2-8 East Huron St.	6,125,000	8,500	$721
10/1/2015	Land - Parking Lot	17 E. Illinois St.	2,400,000	5,029	$477
5/30/2014	Land - Hotel Site	224-228 E. Ontario St.	6,800,000	7,200	$944
				Weighted Avg.	$671

*UCMC main floor area = 35,698 s.f. so Site Cost alone would be 35,698 * $671 = $24.0 million*
The remaining costs of $29.2m would be incurred so building new comes at a $24m premium.

Sincerely,

Richard Silveria

Subscribed and sworn before me this 31st of July 2018
Melinda Fritzler

OFFICIAL SEAL
MELINDA FRITZLER
NOTARY PUBLIC, STATE OF ILLINOIS
My Commission Expires 10/17/19

5841 South Maryland Avenue · MC 1000 · Chicago, Illinois 60637
Telephone: 773-834-7243 · Fax: 773-702-9005 · E-mail: Richard.Silveria@uchospitals.edu

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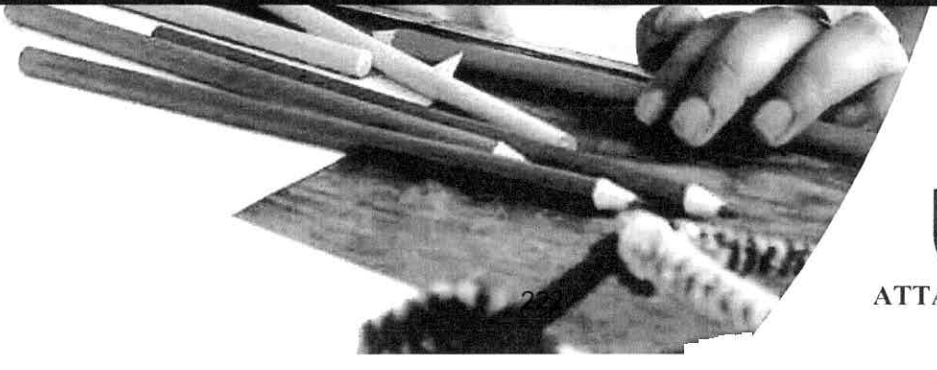
Section XI, Safety Net Impact Statement

Attachment 38

Since the proposed Project is a non-substantive project, the safety net impact statement is not applicable. Nevertheless, for informational purposes, attached is a copy of UCMC's 2016 Community Benefit Report.

Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	**2015**	**2016**	**2017**
Inpatient	273	376	380
Outpatient	28,178	15,894	16,335
Total	28,451	16,270	16,715
Charity (cost in dollars)			
Inpatient	$4,420,000	$10,633,000	$6,657,903
Outpatient	10,576,000	11,367,000	10,923,724
Total	$14,996,000	$22,000,000	$17,581,627
MEDICAID			
Medicaid (# of patients)	**2015**	**2016**	**2017**
Inpatient	9,951	9,643	10,320
Outpatient	99,189	117,381	131,617
Total	109,140	127,024	141,937
Medicaid (revenue)			
Inpatient	$213,747,000	$201,530,000	$252,482,000
Outpatient	69,987,000	70,772,000	92,828,000
Total	$283,734,000	$272,302,000	$345,310,000

Community Benefit | ANNUAL REPORT 2017



AT THE FOREFRONT
UChicago Medicine

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Pictured on the cover, Alayah Tureaud enjoys a craft table at the Taste of WVON.

To you, our community

At the University of Chicago Medicine, we believe that a healthy and safe community is a strong community. Our commitment to healthier families comes to life in the programs and partnerships featured here, in our 2017 Community Benefit Report.

UChicago Medicine's community benefit initiatives are guided by the health priorities identified in the Community Health Needs Assessment, which is conducted every three years, and by our Community Advisory Council, a group of volunteers who serve as advisers on health issues.

We know there's a pressing need to improve asthma management among children on the South Side, so we've established the South Side Pediatric Asthma Center. Adult diabetes has a profound impact in our service area, so we are proud to support programs like South Side Fit that introduce men and women to proven lifestyle changes that can drive positive results in their lives.

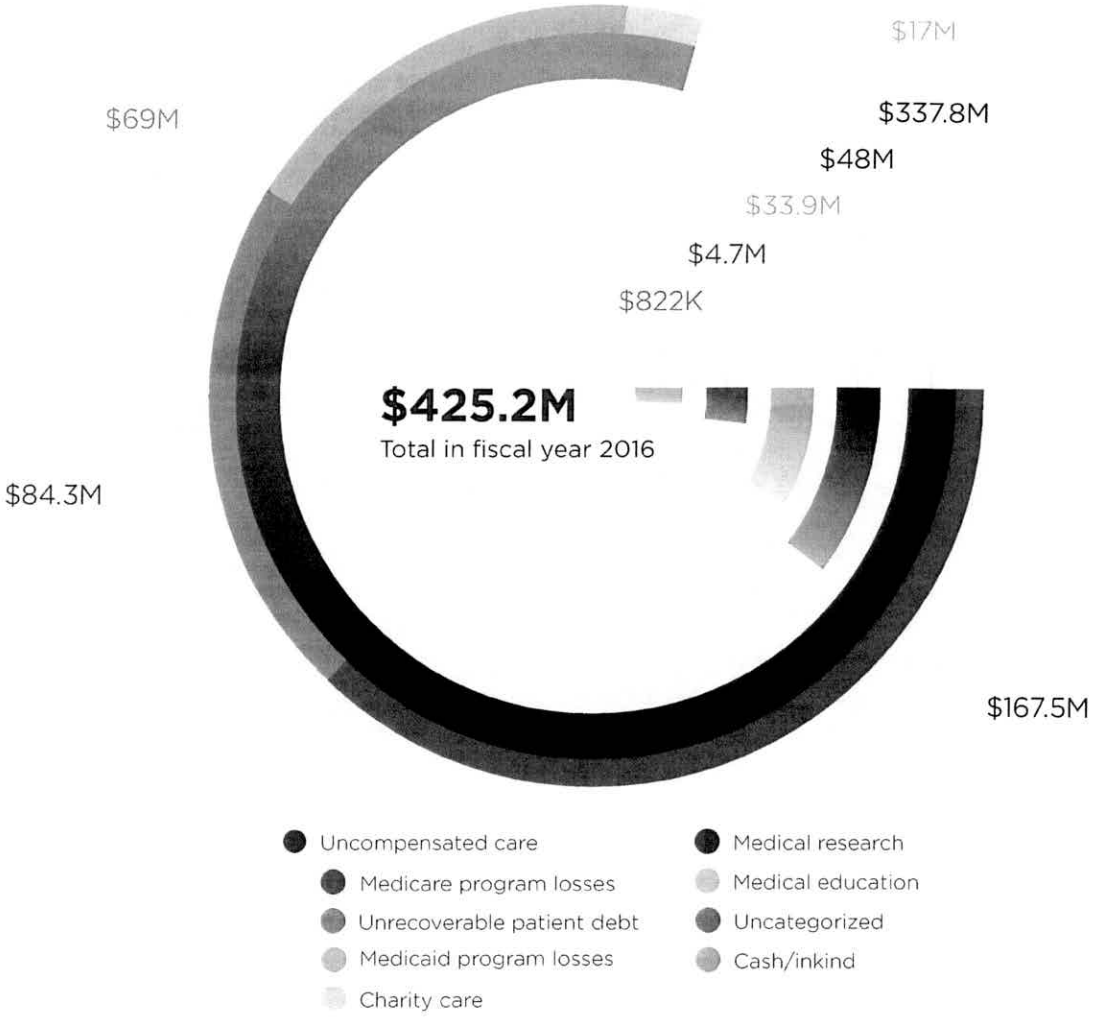
Our community needed better access to emergency care, so we opened a larger, more modern Emergency Department in December. It represents a $39 million investment in the South Side and our commitment to outstanding care and a superior patient experience.

Violence in the community is of paramount concern, so UChicago Medicine is preparing to provide trauma care for the South Side while also working with community partners to address the causes of this violence. We will provide trauma prevention and recovery services that go beyond the care we'll give in our expanded emergency room and other areas of the medical center. Beyond the walls of the hospital, UChicago Medicine doctors, nurses and other staff members assist local neighborhoods as volunteers who support organizations that help others.

Service to the community is a responsibility that we embrace. UChicago Medicine looks forward to continued collaboration with our Community Advisory Council and all of our partners as we fulfill our mission. With them, we will leverage our expertise as a world-class medical research, education and clinical care institution to activate innovative programs that make our community healthier, safer and stronger.

Kenneth S. Polonsky, MD
Dean and Executive Vice President for Medical Affairs
University of Chicago

Sharon O'Keefe
President, University of Chicago Medical Center



MEDICAID PATIENTS FOR PRIVATE HOSPITALS IN METRO CHICAGO[1]

Hospital	Medicaid patients
Advocate Christ Medical Center	10,517
University of Chicago Medical Center	9,643
Mount Sinai Hospital	8,912
University of Illinois Hospital, Chicago	8,205
OSF Saint Francis Medical Center	7,721
Rush University Medical Center	7,432
Mercy Hospital & Medical Center	6,352
Northwestern Memorial Hospital	6,270
Ann & Robert H. Lurie Children's Hospital of Chicago	5,759
Norwegian American Hospital	5,529

[1]*2016 report from the Illinois Health Facilities and Services Review Board*

University, hospital and community leaders cut the ribbon on the new adult Emergency Department.

Economic impact

UChicago Medicine, together with the University of Chicago, is the largest private employer on Chicago's South Side and serves as an economic engine for the community.

By creating opportunities for minority- and women-owned businesses and working with partners to offer skills training and hiring solutions for workers, UChicago Medicine fosters and supports business and jobs in our neighborhood.

BUILDING THE FUTURE

Each year, in response to the rapid advances in medicine and the changing needs of our patients, UChicago Medicine enhances and updates existing buildings and builds new state-of-the-art facilities.

In 2016–17, certified minority- and women-owned construction and construction-related businesses played important roles in a wide array of projects including plant operations, renovations and strategic projects.

"The talent and expertise of these highly skilled businesses and their workers are vital to our growth," said Joan Archie, Executive Director of Construction Compliance. "They are fully invested in our success, as we are in theirs, as it impacts the economic health and development of the communities we serve."

ADULT EMERGENCY DEPARTMENT IN HYDE PARK
Opened December 2017

CENTER FOR ADVANCED CARE AT ORLAND PARK
Opened December 2016

CENTER FOR ADVANCED CARE AT SOUTH LOOP
Opened February 2017

CENTER FOR CARE AND DISCOVERY 3RD AND 4TH FLOOR EXPANSION
Opened August 2016

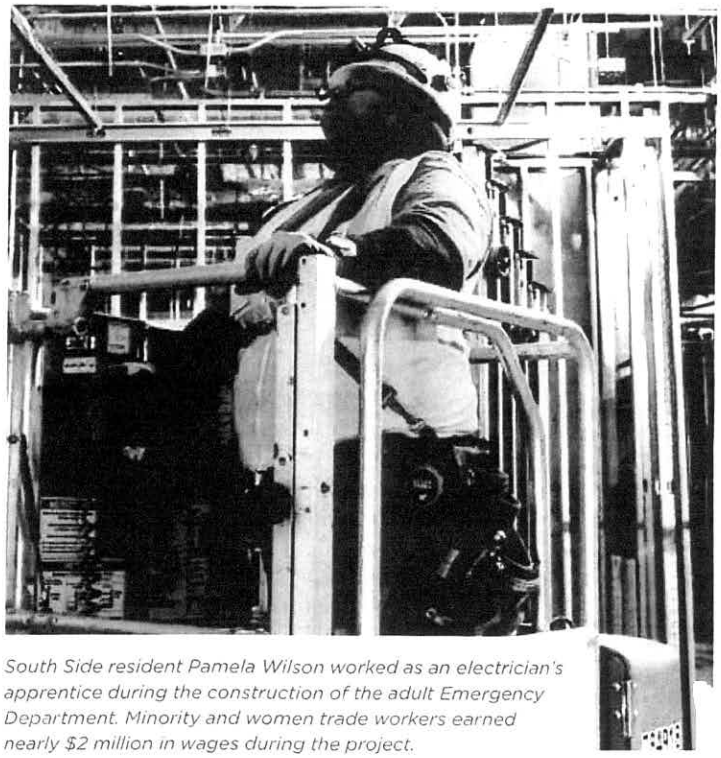
CENTER FOR CARE AND DISCOVERY KITCHEN
Opened October 2016

In 2017, UChicago Medicine was named CASE "Anchor of the Year."

INCREASING SUPPLY CHAIN DIVERSITY

UChicago Medicine was one of the founding "anchors" of Chicago Anchors for a Strong Economy (CASE), a network of prominent city institutions that is committed to collectively impacting neighborhood economic development through local purchasing as well as other programs. As an early adopter of the targeted matchmaking process, UChicago Medicine sends requests for proposals (RFPs) to the CASE team and regularly uses CASE-recommended businesses.

"We actively look to increase direct- and second-tier spending with local and minority-owned business," said Jonathan Stegner, Vice President of Supply Chain. "And, we view ourselves as partners with these suppliers."



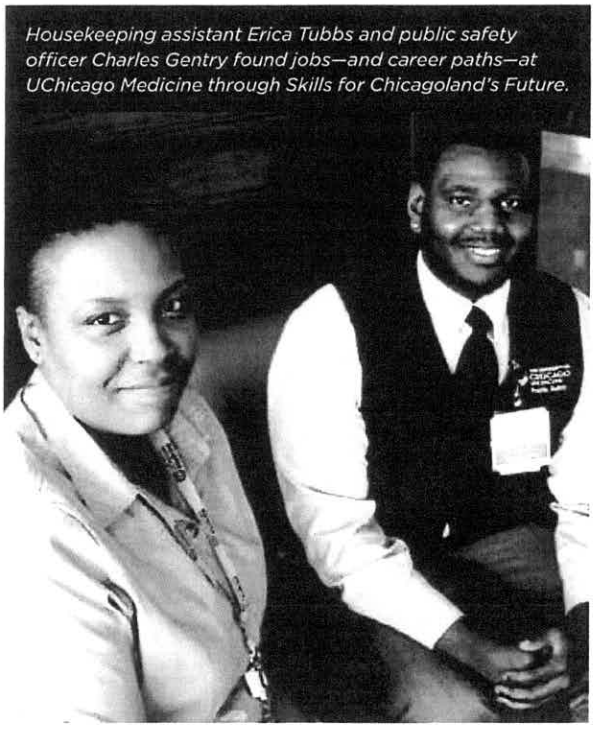
South Side resident Pamela Wilson worked as an electrician's apprentice during the construction of the adult Emergency Department. Minority and women trade workers earned nearly $2 million in wages during the project.

$59 Million +

economic benefit to minority- and women-owned businesses including a portion of wages paid to trade workers in 2016-17

$20 Million +

economic benefit to minority and women suppliers in 2016-17



Housekeeping assistant Erica Tubbs and public safety officer Charles Gentry found jobs—and career paths—at UChicago Medicine through Skills for Chicagoland's Future.

HIRING LOCAL TALENT

Skills for Chicagoland's Future works to bring the city's unemployed and underemployed into jobs that improve their economic mobility while meeting the hiring needs of employers. UChicago Medicine partners with Skills to expand gainful employment opportunities to individuals who live in our community.

"Skills is an excellent source for quality local talent," said Bob Hanley, Vice President and Chief Human Resources Officer. "They've found great individuals who want to stay and grow with us."

58
job seekers placed in 2016 through Skills for Chicagoland's Future

$2 Million
economic benefit to the 58 job seekers placed in 2016

66%
of job seekers placed at UChicago Medicine live within 7 miles of Hyde Park

Access to care

Longtime patient Hamida Hamid was thrilled about the Orland Park opening and wrote a lovely letter to Sharon O'Keefe, president of the UChicago Medical Center.

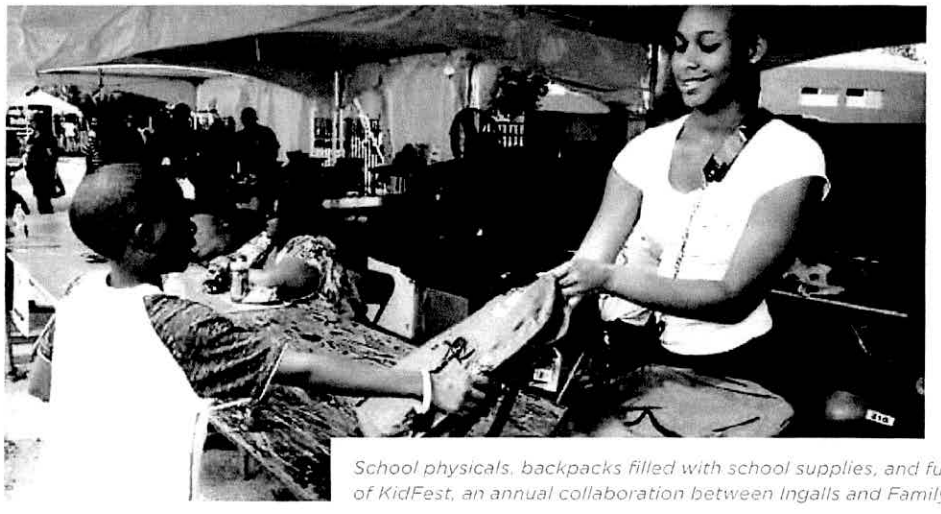
The University of Chicago Medicine's transformation into a health system has resulted in an ambitious expansion of medical facilities on campus and at locations beyond the Hyde Park area. They bring access to much-needed care closer to many patients' homes.

Opened in December 2017, the new Emergency Department (ED) will improve services for those in need of urgent care. The state-of-the-art department features dedicated X-ray and CT scanner capabilities, a rapid ED for those who are treated and discharged directly from the department and other new emergency medicine practices. Adult trauma services are expected to begin in May 2018.

UChicago Medicine also opened new outpatient clinics in Orland Park and Chicago's South Loop neighborhood, bringing exceptional academic medicine to more patients throughout the Chicago area.

Also, Ingalls has joined UChicago Medicine to offer access to best-in-class specialty care via a trusted community health system to residents of the south and southwest suburbs. The two new UChicago Medicine clinics complement Ingalls' five outpatient care centers in Calumet City, Crestwood, Flossmoor, South Holland, Tinley Park and its main hospital in Harvey.

The new adult Emergency Department has a large specialty area (pictured above) that will improve team communication and patient care, and a "rapid" ED for those who are treated and discharged directly from the department.



School physicals, backpacks filled with school supplies, and fun and games were highlights of KidFest, an annual collaboration between Ingalls and Family Christian Health Center.

B. Louis Giles, MD, advises the McCloud family on asthma triggers and management.

Pediatric health

Asthma

With nearly 20% of children in the University of Chicago Medicine's service area suffering from asthma (compared to 10% in Illinois and 12% nationally), UChicago Medicine has implemented multiple efforts to address the needs of the community.

3
grantees

KEY HIGHLIGHTS OF PEDIATRIC ASTHMA GRANTS 2016 AND 2017

- Children, parents and school staff participated in asthma management education;
- Students from four different schools were screened for asthma.

874
caregivers* served

$160,681
awarded

2,176
children and adolescents served

79
partners across the south side of Chicago

**Caregivers include parents, guardians, teachers, nurses and doctors caring for children.*

SOUTH SIDE PEDIATRIC ASTHMA CENTER

According to the 2015 Community Health Needs Assessment conducted by Professional Resource Consultants for UChicago Medicine and the Chicago Department of Public Health, approximately 20 percent of children in UChicago Medicine's service area suffer from asthma compared to 10 percent in Illinois and 12 percent nationally. Children with asthma are more likely to miss school days, be hospitalized and visit the emergency department.

Recognizing that asthma affects children on Chicago's South Side more than in most other communities in the city, the University of Chicago Medicine's Urban Health Initiative and the Department of Pediatrics joined forces with La Rabida Children's Hospital, Friend Family Health Center and St. Bernard Hospital to develop the South Side Pediatric Asthma Center (SSPAC). The center's objective is to develop and advance a collaborative, innovative and high-quality system of care to improve asthma management among children on the South Side.

"Asthma treatment has drastically improved over the past two decades, but children on Chicago's South Side are still suffering at an alarming rate. Our goal is to reduce the burden of asthma for children and families."

BRENDA BATTLE
VICE PRESIDENT, URBAN HEALTH INITIATIVE AND CHIEF DIVERSITY, INCLUSION AND EQUITY OFFICER

The Urban Health Initiative announced the center at its Asthma Education Summit in 2017. Held at Kennedy-King College, the summit brought care providers together to learn the latest trends in pediatric asthma management and tactics to improve patients' quality of life.

This center takes a multi-provider approach to attacking this problem, and UChicago Medicine expects it to have immediate and long-term success.

Initially, the center will identify children with asthma and help lead them to primary care physicians for treatment. A resource line, scheduled to launch in June 2018, will be available for parents and others to call if they are concerned about possible asthma symptoms in children; nurses or trained community health workers staffing the resource line will direct families to appropriate care providers.

The SSPAC partners have adopted a pediatric asthma management model with first-year goals to:

- Standardize patient education;
- Establish an access point for asthma information and resources through the asthma center help line;
- Host provider and community training and education events.

COMMUNITY HEALTH WORKER PROGRAM

The Community Health Worker (CHW) program, a collaborative effort of UChicago Medicine, South Side community hospitals and community health centers, identifies high-risk pediatric asthma patients.

Community Health Workers are responsible for:

- Conducting home assessments, including determining and addressing environmental asthma triggers;
- Educating children and their families on asthma signs and symptoms, medications, devices and triggers;
- Guiding families to valuable community resources;
- Leading events to further asthma education throughout the community.

For children enrolled in the Community Health Worker program, early outcomes reveal a 30% reduction in daytime symptoms and 100% reduction in nighttime symptoms.

In 2017, the Community Health Worker program increased its workforce and outreach, integrating with partner asthma clinics that include St. Bernard Hospital, La Rabida Children's Hospital, Friend Family Health Center, UChicago Medicine Asthma Clinic and UChicago Medicine Comer Children's Hospital Emergency Department.

Following intervention and education provided by community health workers, clients' daytime and evening symptoms decreased.

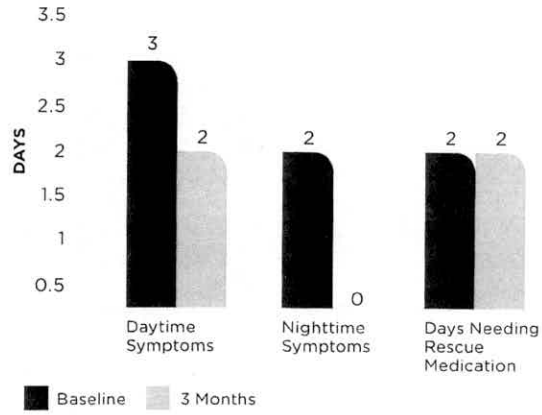
51
clients received asthma management education

39
clients received home environment assessment and trigger remediation

+2
increased workforce from 3 to 5 community health workers

ASTHMA COMMUNITY HEALTH WORKER PROGRAM OUTCOMES
MAY 2016–AUGUST 2017

Median symptom frequency and rescue medication use in the past 2 weeks: baseline versus 3 months follow-up (n=21)



There is a decrease in median daytime and nighttime symptoms from baseline to 3 months follow-up among clients who received 2-3 CHW encounters and education.

Community Health Worker Crystal Stevenson works with Darnell Calvin, 11, to help him manage his asthma. Through the program, Darnell and his mother, Shiarra, learned about environmental triggers, ways to more effectively use medication and devices and how to recognize worsening symptoms. Following participation in the program, Calvin's asthma test results show that his asthma is well controlled.

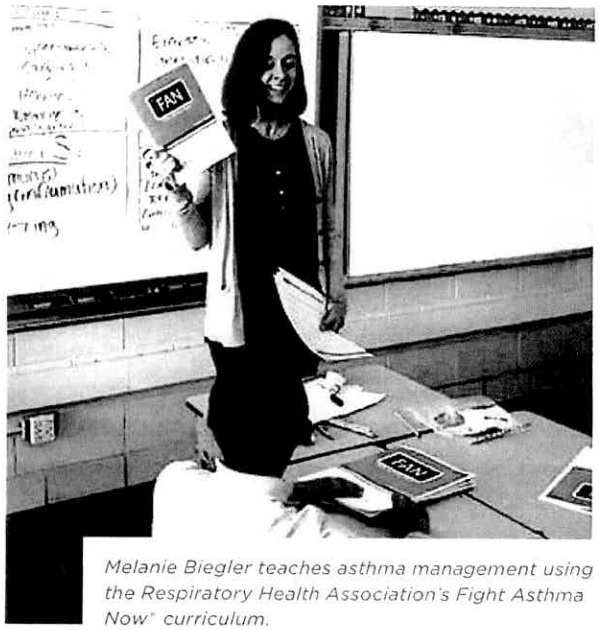
"I learned a lot from the Community Health Worker, including ways my son can develop a routine and be more consistent with his medications and things I can do in the home to limit his asthma triggers."

SHIARRA CALVIN
COMMUNITY HEALTH WORKER PROGRAM PARTICIPANT

ASTHMA COMMUNITY BENEFIT GRANTS

Chicago Asthma Consortium

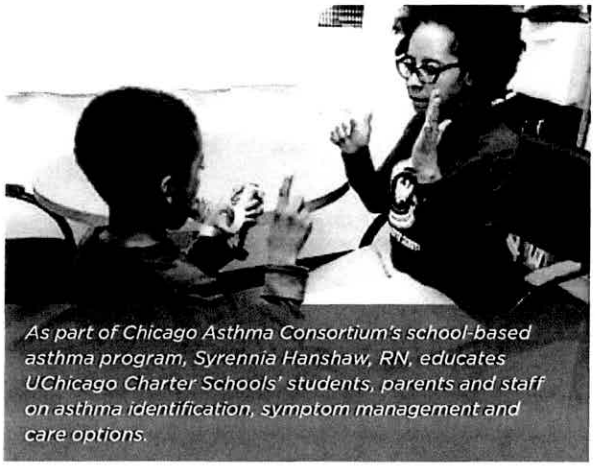
UChicago Medicine provides funding for the Chicago Asthma Consortium's Comprehensive School-Based Approach to Improve Asthma Outcomes. Through a pilot project developed within four charter public schools (K–12), this program helps identify children with asthma and provides educational and policy support to help those living with the disease. During the 2016-17 school year, asthma screening was integrated into the schools' registration processes, which helped successfully screen 1,269 students. This screening identified 282 students with asthma or signs of asthma. Among those identified, 112 students and 108 parents received asthma education and follow up by a community health worker. In addition, the program reduced hospitalization and missed school days among students with asthma who received educational support from the program.



Melanie Biegler teaches asthma management using the Respiratory Health Association's Fight Asthma Now® curriculum.

"This is a great model for asthma education in the school setting."

SYRENNIA MCARTHUR HANSHAW, RN
UCHICAGO CHARTER SCHOOL



As part of Chicago Asthma Consortium's school-based asthma program, Syrennia Hanshaw, RN, educates UChicago Charter Schools' students, parents and staff on asthma identification, symptom management and care options.

For students participating in Chicago Asthma Consortium's school-based program, there was an 83% reduction in the number of ED visits or urgent office visits reported due to asthma flare-up.

Respiratory Health Association

With funding from UChicago Medicine's community benefit grant program, Respiratory Health Association (RHA) educated students and caregivers at 68 schools and 4 community-based sites (childcare centers, hospitals and the Chicago Department of Family and Support Services) using its Fight Asthma Now® curriculum and asthma management program. RHA's asthma education programs cover asthma management topics such as asthma warning signs, proper medication technique and environmental triggers. RHA reached 907 students with asthma, along with 630 parents and school staff, in UChicago Medicine's service area during the 2016–17 school year.

St. Bernard Hospital

Asthma is an ongoing health concern for children living in the Englewood community. UChicago Medicine funded a peer educator for St. Bernard Hospital's Pediatric Asthma Clinic. The clinic provides direct patient care, educational materials and tools for children living with asthma and their families. Since 2016, nearly 80 patients who were seen in the emergency room at St. Bernard Hospital have been enrolled in the Pediatric Asthma Clinic and are receiving regular follow-up services. The peer educator also participated in the Comer Children's Pediatric Mobile Unit to increase visibility and raise awareness of the Asthma Clinic. The clinic is now a partner with UChicago Medicine in the South Side Pediatric Asthma Center.

Obesity

KEY HIGHLIGHTS OF PEDIATRIC OBESITY GRANTS 2016 AND 2017:

- Children and adolescents in nine schools participated in a structured, after-school soccer program;
- Two schools received healthy snacks and education programs about fresh fruits and vegetables;
- Teachers received training on how to incorporate food education into the school curriculum;
- Four schools instituted open gym and healthy snack policies.

3
grantees over two-year period

$192,275
awarded

1,234
children and adolescents served

During school visits throughout the year, UChicago Medicine staff, including dietitians, offered students fun ways to build healthy habits. Regular events, such as Family Health & Wellness Nights and Sports & Nutrition Saturdays, also provided the community with opportunities to get involved.

Fresh, Fit, Fun launched a healthy snack initiative and removed all unhealthy snacks and beverages across the charter school's four campuses.

Youngsters get active in the Work to Play program.

UC CHARTER SCHOOL: FRESH, FIT, FUN

Cranberries and broccoli found their way onto the plates of many students at UChicago Charter School, which serves 1,900 students on the South Side.

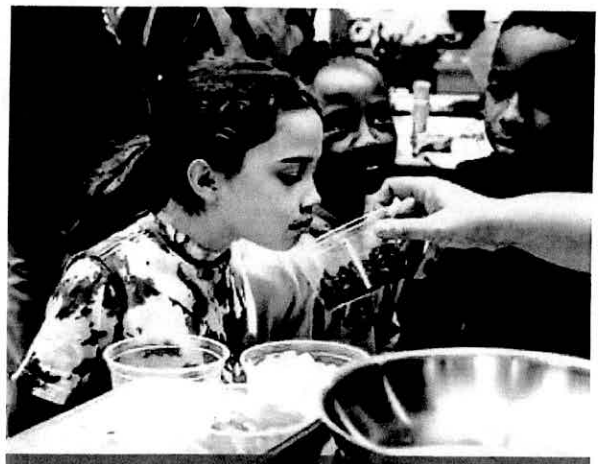
As part of a community-academic partnership, the Fresh, Fit, Fun program teaches children, parents and school staff about nutrition, increases student access to fitness activities, provides professional development to staff and creates a model for urban schools to combat childhood obesity in neighborhoods that lack fresh produce.

URBAN INITIATIVES: WORK TO PLAY

With funding from UChicago Medicine, Urban Initiatives' flagship program Work to Play (WTP) was designed to reduce the incidence of childhood obesity. Using soccer as its focus, WTP runs throughout the school year in two, 12-week seasons. Each week consists of three program sessions: two before- or after-school practices and one after-school game. Each session includes at least an hour of exercise through soccer activities, a health or character trait discussion and a nutritious snack.

UChicago Charter School students are all smiles as they participate in Fresh, Fit, Fun—a program to combat childhood obesity.

WTP aims to increase participants' physical activity and their knowledge of health topics, and influence their eating habits.



Students enjoy a cooking demonstration through the Pilot Light program.

WORK TO PLAY
2016–2017

270	11%	9
students enrolled	decrease in the number of participants in the obese and overweight categories, exceeding goal of 10%	schools offered WTP

PILOT LIGHT

Using grant funds from UChicago Medicine, Pilot Light partnered with William H. Ray Elementary School and Montessori School of Englewood to provide students with health and nutrition education and professional development for teachers. Pilot Light provided:

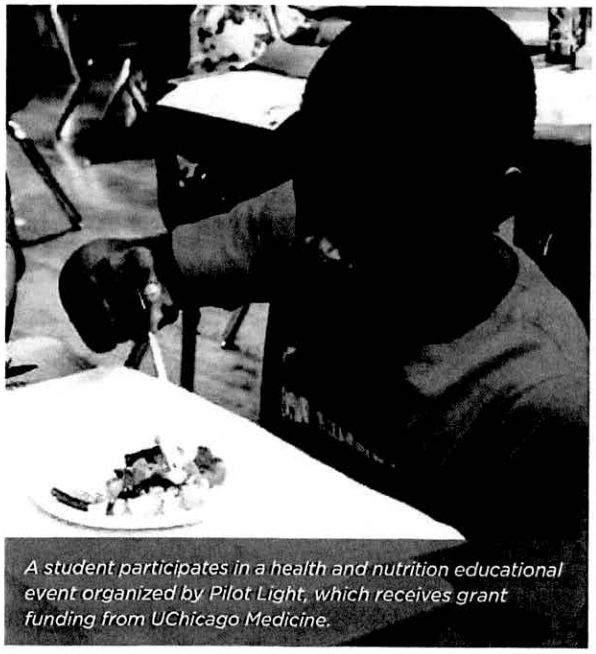
- Sixteen lessons for students in grades 3, 4 and 5;
- Training and on-site support for teachers;
- Two chef visits to each participating classroom throughout the duration of the project;
- One "lunchroom takeover" per school in which Pilot Light chefs developed and served a school lunch that connected to the lessons students learned in their classrooms and extended learning to the cafeteria;
- Two educational family workshops at each school.

"There is a disconnect between 'tasty' and 'healthy' for students, and Pilot Light helps bridge that gap while being considered fun!"

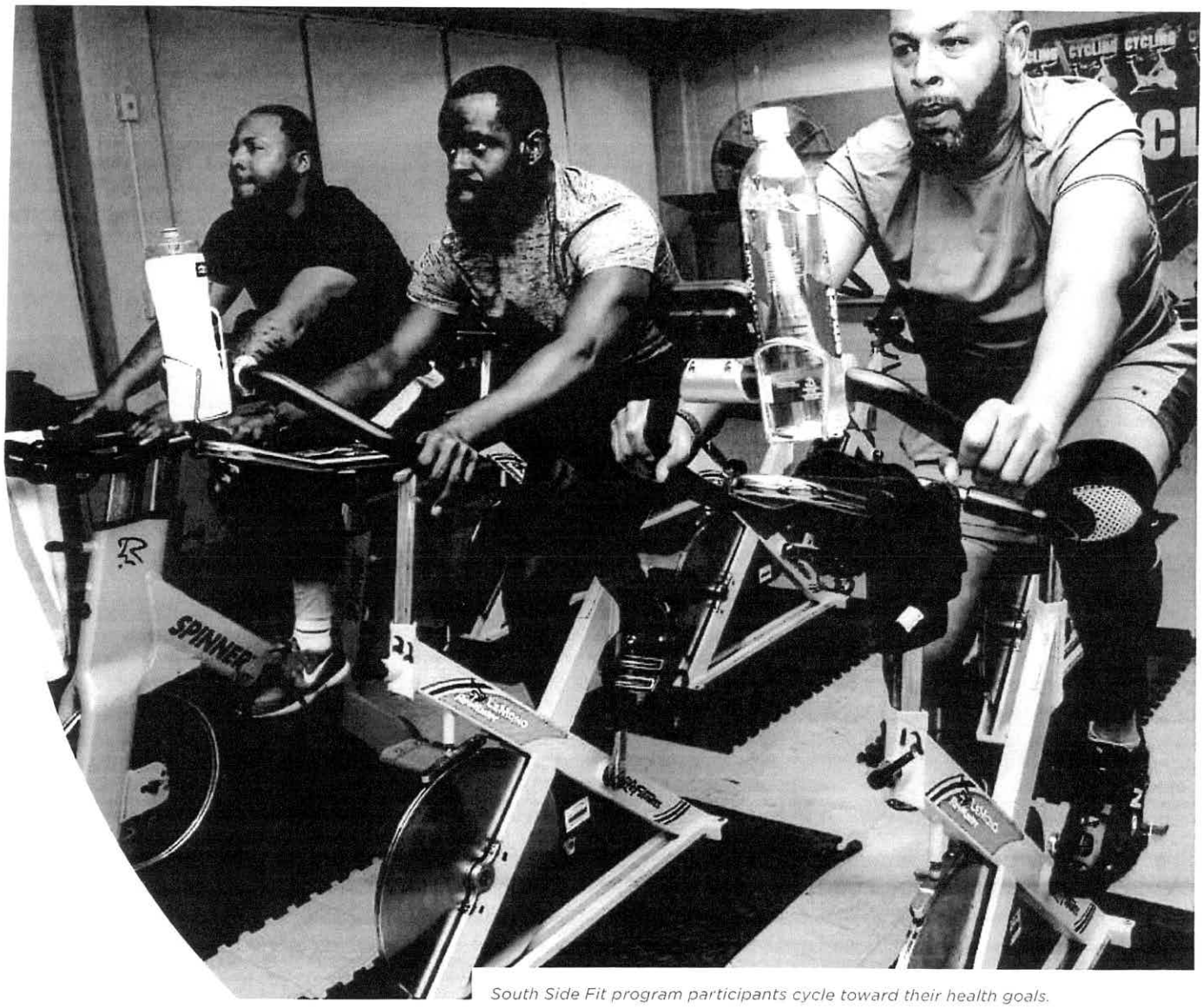
PILOT LIGHT TEACHER

"Through Fresh, Fit, Fun, we were able to expand access to healthy food and physical activity. This introduction and exposure to fruits and vegetables, along with opportunities for regular exercise, is critical to develop healthy habits. The partnership between the charter school and the medical center helped make this possible."

ANNA VOLERMAN BEASER, MD
UCHICAGO MEDICINE PHYSICIAN AND
FACULTY COLLABORATOR FOR FRESH, FIT, FUN



A student participates in a health and nutrition educational event organized by Pilot Light, which receives grant funding from UChicago Medicine.



South Side Fit program participants cycle toward their health goals.

Adult health

Diabetes

3
programs

DIABETES COMMUNITY BENEFIT GRANTS 2016 AND 2017

UChicago Medicine provided funds to local organizations to raise awareness and educate members of the community about diabetes.

209
screened

$107,490
awarded

499
educated

Asian Health Coalition
Through the Asian Health Coalition, the Diabetes Prevention Program for Asians in Chinatown (DPPAC) reaches vulnerable Asian-Americans and Pacific Islander community members to raise diabetes awareness, promote prevention behaviors and connect at-risk individuals to a six-week diabetes self-management workshop. The DPPAC approach

122
individuals with diabetes
or pre-diabetes participated
in diabetes self-management workshop

teaches culturally tailored diabetes self-management by using bilingual, bicultural community health workers. With UChicago Medicine funding, the program provided diabetes education to nearly 500 individuals and screened more than 200 community members for diabetes or pre-diabetes. Additionally, 47 individuals with diabetes or pre-diabetes participated in a six-week diabetes self-management workshop.

Health care providers work to understand the health challenges that face the South Side's Asian community.

Roseland Community Hospital

174
people trained by DEEP™

3
people became certified Peer Educators

Susana Castillo of the UChicago Medicine Community Relations team gives training on diabetes management through the Diabetes Empowerment Education Program.

"The [DEEP™] training allows a very personal connection to the community, inspiring small behavior changes that may improve overall health."

WALIDAH TUREAUD
COMMUNITY RELATIONS MANAGER, THE UCHICAGO MEDICINE URBAN HEALTH INITIATIVE

Community wellness

SOUTH SIDE FIT

Access to a variety of fitness classes and live cooking demonstrations are just two of the many healthy benefits of South Side Fit, a program to promote wellness on the South Side. South Side Fit, in partnership with the Timothy Community Corporation and UChicago Medicine's Urban Health Initiative, provides participants with complete assessments of their health, exercise, diet habits, weight, Body Mass Index (BMI) and blood pressure. To meet health goals, participants committed to regular exercise, health consultations, nutritional and lifestyle seminars and on-site exercise classes, including Zumba, Yoga, cycling and full-body toning.

"I have seen our community participants step up, make a new commitment to health and change eating habits based on the education they receive.

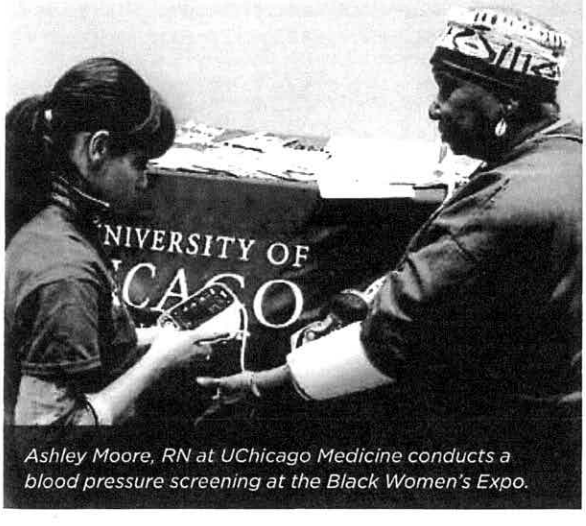
The program brings together a community of individuals to take this health and wellness journey—we all support one another."

DELORIS NEAL
TIMOTHY COMMUNITY CORPORATION

A South Side Fit yoga class helps students practice healthier lifestyles.

"I weighed 240 pounds before the South Side Fit program and I now weigh 228 pounds with a waist size down from 42 to 38. My eating habits have changed tremendously and I was able to eliminate the use of my acid reflux medication. In the past, I did not have the energy to complete a one-hour fitness program. Now, I am able to complete the class and work out three to four days a week."

FREDERICK E. GEIGER, SR
SOUTH SIDE FIT PARTICIPANT



Ashley Moore, RN at UChicago Medicine conducts a blood pressure screening at the Black Women's Expo.

Cancer

GRANT EXPANSION TO CANCER

Through grant funding, UChicago Medicine is helping to advance cancer awareness and education among vulnerable minority communities.

The medical center is supporting the Asian Health Coalition's efforts to educate and screen underserved populations who are at increased risk of developing colorectal cancer (CRC). Populations include Asian-American Pacific Islander and African-American community members living in low-income South Side neighborhoods. The grant will help raise CRC awareness, promote prevention behaviors and connect at-risk individuals to specialty care.

Although Cook County has a colorectal cancer incidence rate that's similar to the state's rate, its mortality rate is significantly higher than Illinois' overall rate and ranks third across the 104 counties in Illinois. UChicago Medicine partners with community health systems to build capacity to increase colorectal

cancer screening rates across the state as a part of the Cook County CARES (Cancer Alliance to Reignite and Enhance Screening) initiative. Funded by the Centers for Disease Control (CDC), the initiative will also help the study of solutions that have the greatest impact on screening behavior. Targeting low-income Asian-American, Hispanic and African-American populations in Cook County, the overall aim of Cook County CARES is to establish a broad framework to increase organized approaches to colorectal screening, prevention and control. This project is aligned with the CDC national screening goals.

21.5 deaths per 100,000

the colorectal cancer mortality rate in Chicago, which is significantly higher than the nation's overall colorectal cancer mortality rate (17.5 deaths per 100,000)

The 2015 Community Health Needs Assessment (CHNA) for UChicago Medicine identified breast cancer screening as a priority for the medical center's service area. UChicago Medicine funded Sisters Working It Out's (SWIO) Breast Education and Awareness initiative. The initiative focuses on educating at-risk communities about breast cancer, increasing screening, creating opportunities for women to become health advocates and promoting the use of local health services.

SWIO holds its annual "Day of Beauty" event to celebrate breast cancer survivors.

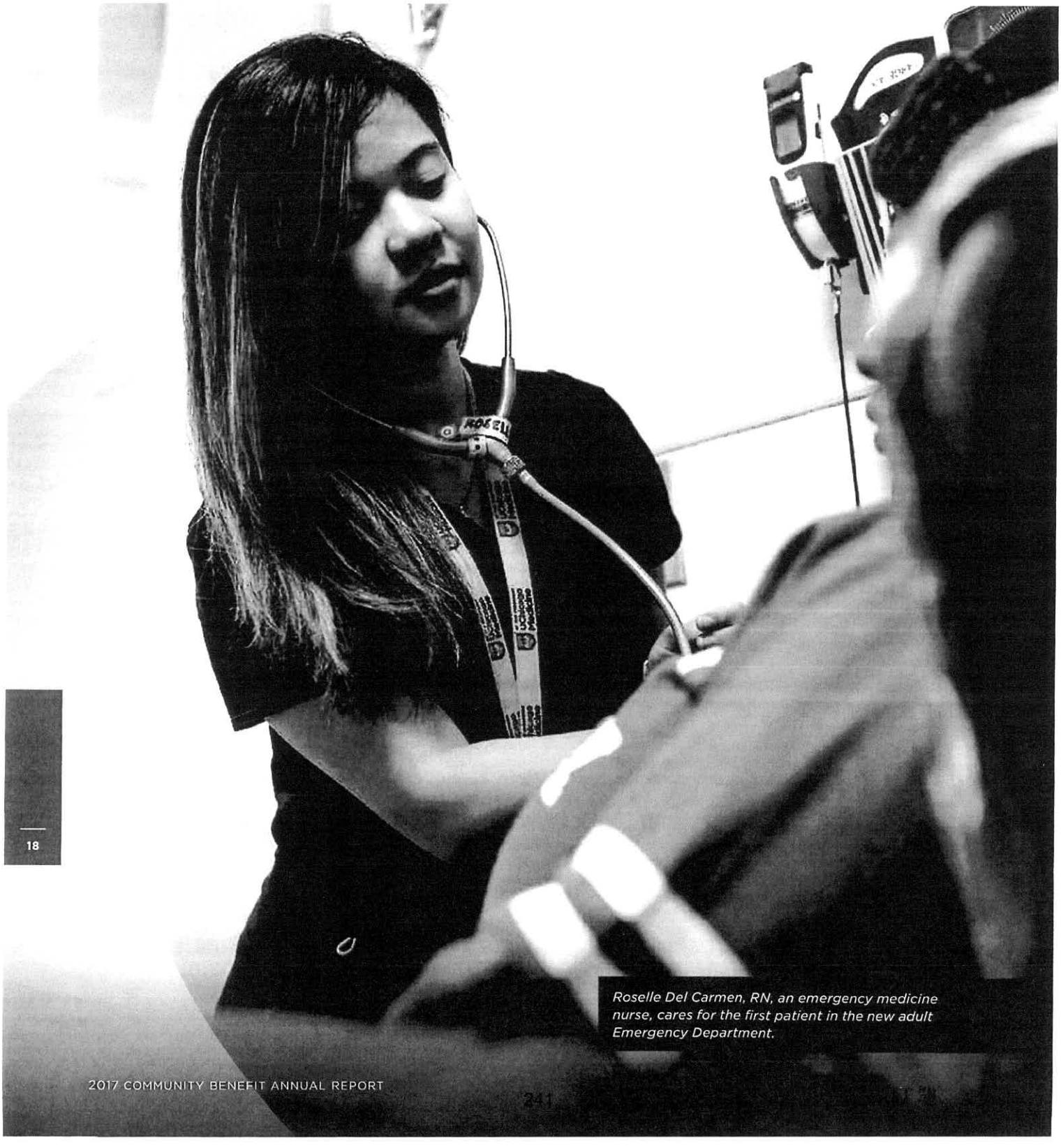
"When I moved to Chicago in 2001, I was alarmed by the breast cancer disparities in Chicago, which has some of the largest differences in breast cancer survival rates between black and white women in the nation. This is a problem that we can do something about."

MONICA E. PEEK, MD, MPH
ASSOCIATE PROFESSOR OF MEDICINE, UCHICAGO MEDICINE AND FOUNDER, SISTERS WORKING IT OUT

"If we find colon cancer early, 9 out of 10 people will have a long-term survival and can be cured from the disease."

KAREN KIM, MD *(PICTURED AT LEFT)*
PROFESSOR OF MEDICINE, UCHICAGO MEDICINE AND DIRECTOR OF THE CENTER FOR ASIAN HEALTH EQUITY (CAHE), WHICH IS A PARTNERSHIP BETWEEN UCHICAGO MEDICINE AND THE ASIAN HEALTH COALITION

Trauma care and violence prevention



Roselle Del Carmen, RN, an emergency medicine nurse, cares for the first patient in the new adult Emergency Department.

ADULT TRAUMA CARE CENTER PLANS

In May 2018, UChicago Medicine will begin providing adult trauma services. At the forefront will be a team of surgeons and other care providers committed to serving underrepresented communities. With a commitment to excellence in patient care and education, UChicago Medicine will engage our communities to meet the clinical needs of adults affected by falls, motor vehicle collisions or violence, and we will address prevention and integrated violence recovery. Adult trauma services will complement the pediatric trauma care that the medical center has provided for more than a decade.

VIOLENCE RECOVERY PROGRAM

The needs of the community often require a fresh approach to improve the continuity of care for victims of violence and their families. The new, hospital-based violence recovery program will seek to provide intensive wrap-around services, such as family or group therapy, substance abuse treatment and case management.

Attendees at a community-faculty partnership summit provide input on the development of a hospital-based violence recovery program at UChicago Medicine.

"We have a unique opportunity to be a model for others as we create a trauma center in a major urban area virtually from the ground up. We won't simply offer the standard care that one would expect of a trauma center."

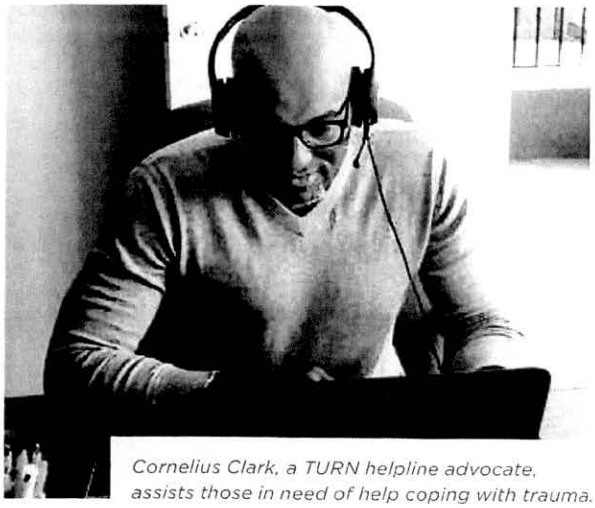
KENNETH POLONSKY, MD
DEAN AND EXECUTIVE VICE PRESIDENT
FOR MEDICAL AFFAIRS, UNIVERSITY OF CHICAGO

TURN TRAUMA HELPLINE

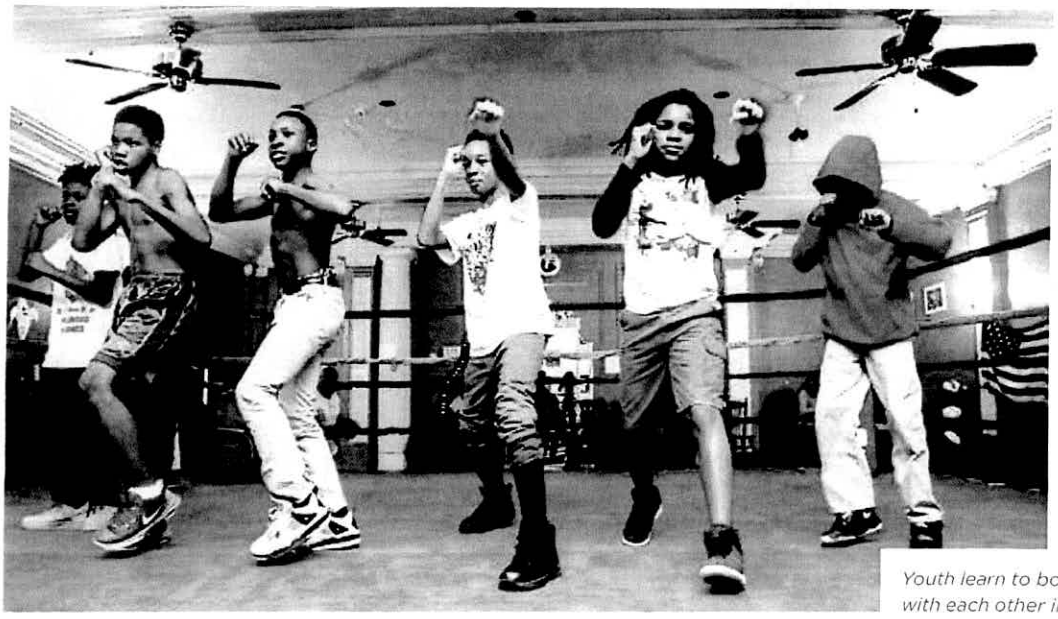
The Urban Resilience Network (TURN) at Bright Star Community Outreach in Bronzeville has launched a phone helpline to provide emotional care to families and young people coping with trauma. The TURN center is supported by UChicago Medicine, Northwestern Medicine and the United Way of Metropolitan Chicago.

"The biggest benefit is that local victims of violence who are experiencing the effects of trauma now have a place that they can contact," said Cyndee Langley, a TURN clinical manger and psychologist.

The helpline is staffed by a clinical care coordinator along with Chicago faith and community leaders who received intensive training from the NATAL organization. Based in Tel Aviv, Israel, NATAL provides a unique multidisciplinary trauma approach to treat those directly and indirectly affected by war and terror-related trauma in Israel. The helpline number is 833-TURN-123. It is open from 9 a.m. to 6 p.m. on Monday, Wednesday and Friday.



Cornelius Clark, a TURN helpline advocate, assists those in need of help coping with trauma.



Youth learn to box and form bonds with each other in Crushers Club.

VIOLENCE PREVENTION GRANTS

UChicago Medicine awarded seven capacity-building grants to provide immediate support to existing community-based violence prevention, intervention and recovery efforts on Chicago's South Side for the summer of 2017.

The grant money allowed the selected community organizations to fund new counselors, new equipment and program expansion to include more participants. The grants were designed to support programs that helped create safer spaces during the summer.

The concept of responding to the immediate needs to address violence while working together on a long-term solution was developed at the suggestion of UChicago Medicine's Community Advisory Council and its Trauma Care and Violence Prevention work group. The group recommended that UChicago Medicine proactively respond to increasing violence at the close of the school year and the beginning of summer.

Pictured, from left: Julian DeShazier, Senior Pastor, University Church, and chairman of the Community Advisory Council; Kiara Jones of Global Girls, Inc.; Catherine Jackson of Woodlawn East Community and Neighbors (WECAN); Sally Hazelgrove of Crushers Club; Terica Middleton of Gary Comer Youth Center; and Leif Elsmo, Executive Director, Community and External Affairs, UChicago Medicine.

UChicago Medicine responded by providing rapid-cycle grants for grassroots organizations that have violence prevention programs.

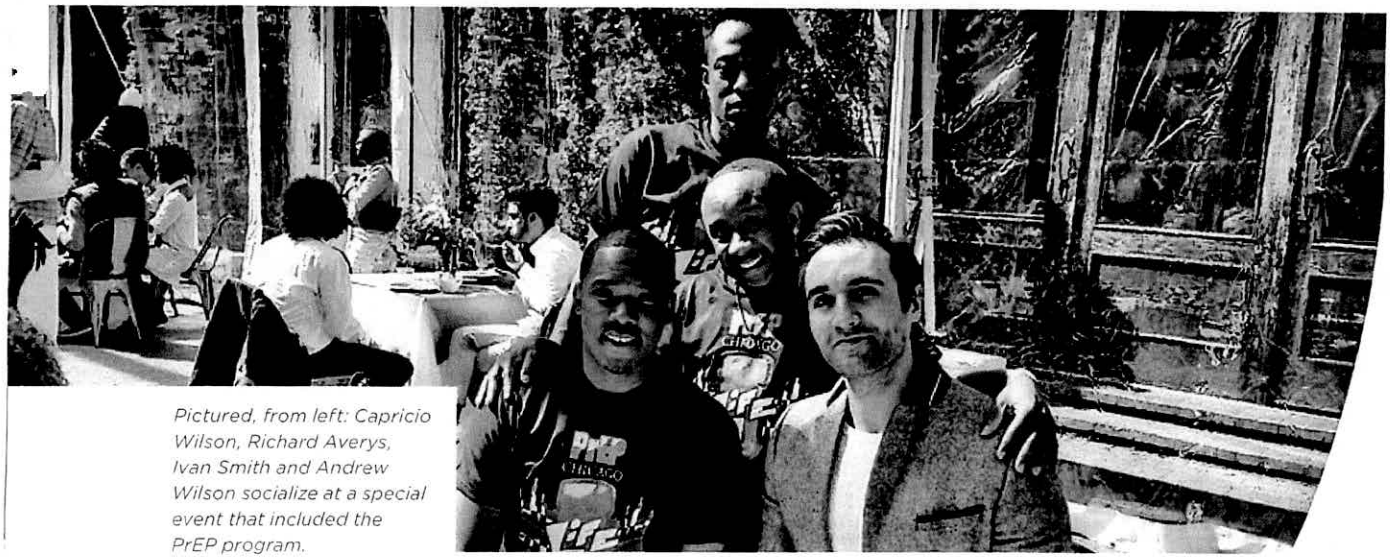
Results included:

Crushers Club, which utilizes the sport of boxing and music to develop bonds among at-risk young African-American men, offered an additional 15 program hours each week and supported the addition of 23 first-time Crushers youth.

Global Girls, Inc., which provides a safe space for girls ages 8–18 to learn the arts while gaining social, emotional, leadership and communications skills, trained 10 teenagers to work as peer facilitators, or "Agents of Peace," to create "culture of peace" programming for 92 youngsters from eight schools. Also, it created and presented "I Choose Peace" performances to promote peaceful and safe neighborhoods. More than 1,500 people attended the performances.

Other community organizations that earned grants included:

- Breaking Bread
- Gary Comer Youth Center
- Kids Off the Block, Inc.
- Mothers Against Senseless Killing Foundation (MASK)
- Woodlawn East Community and Neighbors (WECAN)



Pictured, from left: Capricio Wilson, Richard Averys, Ivan Smith and Andrew Wilson socialize at a special event that included the PrEP program.

HIV and STI

BETTER 2GETHER NETWORK: A COLLABORATION TO STRENGTHEN AND MOBILIZE COMMUNITY NETWORKS FOR HIV PREVENTION AND CARE

UChicago Medicine's Urban Health Initiative, the Chicago Center for HIV Elimination (CCHE) and Care2Prevent continue to raise awareness and expand access to care for those with human immunodeficiency virus (HIV) and sexually transmitted infections (STI). With funding from the Centers for Disease Control and Prevention, the Better 2Gether Network is a collaboration between UChicago Medicine, Howard Brown Health and Project Vida. The collaboration aims to provide a coordinated prevention services network for diverse at-risk teens and adults throughout Chicago and its adjacent southern and western suburbs. The project provides HIV outreach, testing and linkage to care through a variety of efforts, including:

- Conducting citywide marketing and targeted social media campaigns to reduce HIV-related stigma and increase public engagement in the activities;
- Hosting community events and providing HIV/STI testing;
- Optimizing referrals to care and support services at the time of testing.

Thanks to the project, the number of those screened for HIV has increased nearly three times from 384 in 2016 to 966 in 2017. Similarly, the number of those screened for syphilis grew to 590 in 2017 from 164 in 2016.

BETTER 2GETHER NETWORK TESTING AND REFERRALS FOR 2017

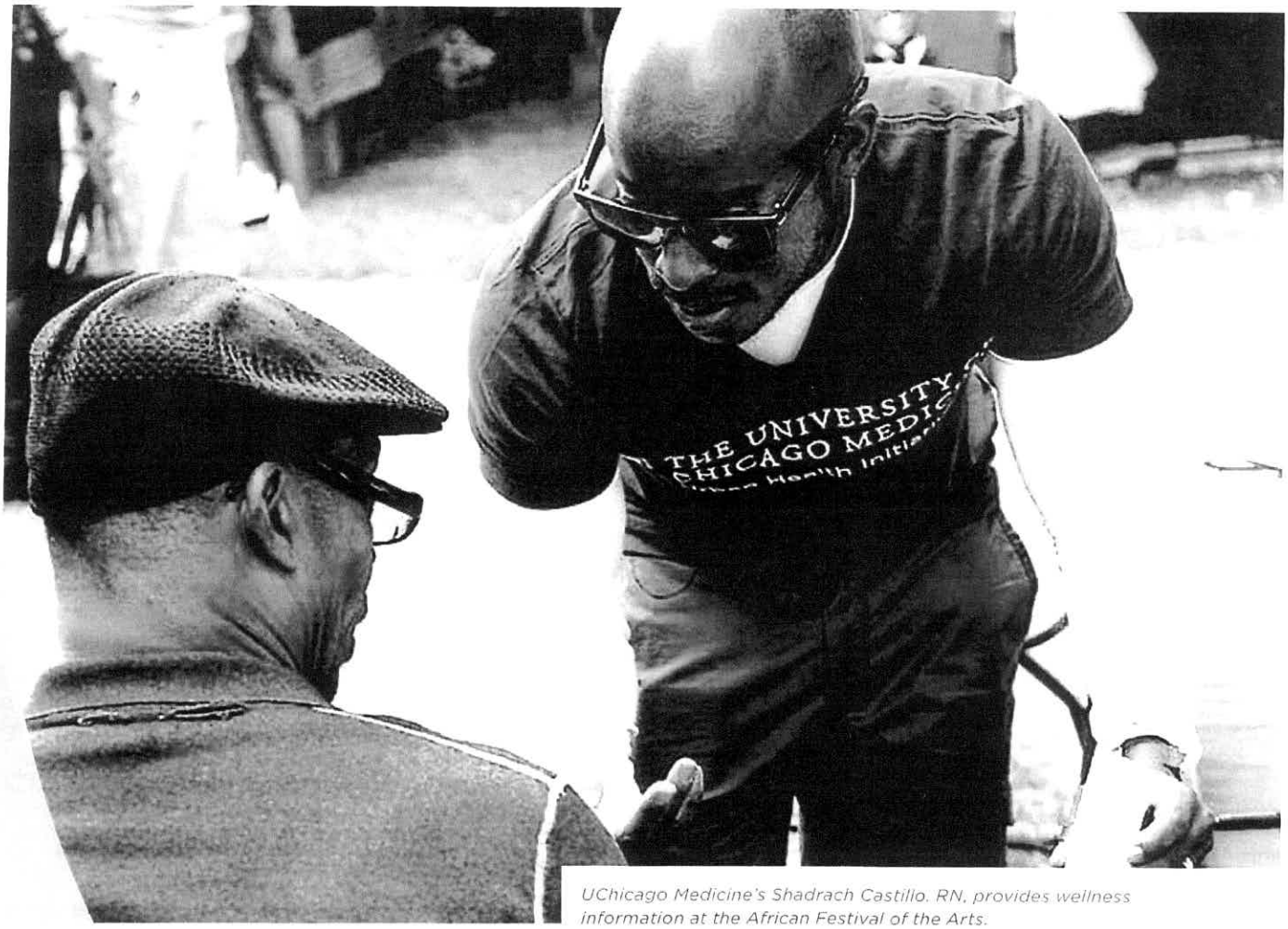
966	screened for HIV	590	screened for syphilis	**189** receiving case management
213	tested positive	196	tested positive	

PrEP CHICAGO

Another component led by CCHE is **PrEP Chicago**, which uses social media, such as Facebook, to provide a forum for discussion of HIV Pre-Exposure Prophylaxis (PrEP), for adolescents and young adults who may be interested in and eligible for PrEP care in Chicago. PrEP is a medication for people who are HIV-negative and are especially vulnerable to contracting the virus. In conjunction with PrEP Chicago, CCHE currently provides active referrals to PrEP care through PrEPLine and PrEP Linkage-to-Care. CCHE staff work with individuals interested in engaging in PrEP care to provide information, discuss options and connect individuals to PrEP providers on the South Side and throughout the city.

PrEP DATA FOR 2017

28 education/ outreach events	**189** people received education about HIV/STI prevention and treatment	**37** referrals from the PrEP line to a PrEP provider



UChicago Medicine's Shadrach Castillo, RN, provides wellness information at the African Festival of the Arts.

Community engagement

Meeting the community where it lives

DAY OF SERVICE AND REFLECTION

Rain did not dampen the spirits and high turnout of hundreds of volunteers committed to doing good work for 24 community organizations during the 15th annual Day of Service and Reflection (DOSAR) in May 2017. Nearly 300 UChicago Medicine employees, their families and friends worked on projects ranging from paint jobs to gardening in eight communities surrounding the UChicago Medicine service area on the South Side. The commitment of the volunteers was reflected in their smiles and eagerness to connect with the community served by the medical center.

COMMUNITY ADVISORY COUNCIL

UChicago Medicine's Community Advisory Council meets regularly with UChicago Medicine leadership to advise on health issues of concern to the community. For instance, the Council helped lay the groundwork for the medical center's adult trauma services scheduled to launch May 1, 2018, and addressed strategies to combat chronic diseases among children and adults, such as asthma and diabetes. Over the last year, the Council's advice helped with the awarding of "rapid-cycle grants" to help community-based organizations enhance programming for youth during the summer months. The group also advised the medical center on the South Side Pediatric Asthma

Center, and helped hospital leaders understand potential community-based resources for future trauma patient referrals.

In the coming year, the Council will continue to provide input regarding the hospital-based Violence Recovery Program, which will offer wrap-around services to those admitted.

"The voice of the community is critical to the university's plan for trauma care."

DAMON ARNOLD, MD
CHAIRMAN OF THE UCHICAGO MEDICINE COMMUNITY ADVISORY COUNCIL'S TRAUMA CARE AND VIOLENCE PREVENTION WORK GROUP AND FORMER DIRECTOR OF THE ILLINOIS DEPARTMENT OF PUBLIC HEALTH

THE SHARE NETWORK

The South Side Healthy Aging Resource Experts (SHARE) Network brings older adults, caregivers, primary care providers and geriatric specialists together to share knowledge, experience and resources to improve health for older adults on Chicago's South Side. Through workforce education and community outreach, the SHARE Network bridges the gap between geriatric specialty care and the community. To date, SHARE and partner organizations have reached more than 2,000 older adults, family members and caregivers at more than 80 free community events across the South Side. Topics presented in Hyde Park, Roseland and Englewood, have included podiatry, Alzheimer's disease and how to get the most from a primary care visit.

Community partners include Chicago Hyde Park Village, Mather's More than a Cafe and TRC Senior Village. Healthcare partners include St. Bernard Hospital, Symphony Post Acute Network and UChicago Medicine.

UChicago Medicine's Shellie Williams, MD, teaches a class on memory loss during a SHARE Network event.

GIVING AT COMER CHILDREN'S HOSPITAL

Feed1st and Remoc's Closet

Feed1st and Remoc's Closet believe that all families should have access to services that fulfill their basic needs, no questions asked.

Feed1st is a program of service and research that aims to alleviate hunger and food insecurity among families and caregivers of patients and staff at UChicago Medicine. It was founded in 2010 by the Lindau Lab in partnership with Doriane Miller, MD, and other faculty, Pritzker medical students and Comer Children's Hospital staff. Food is free, self-serve and there are no limits on how much food families may take—making the food pantry welcoming and accessible to anyone in need.

6	12,500+	10
pantries	people fed since 2010	medical student volunteers

Medical student Claire Dugan volunteers at the food pantry.

Remoc's Closet grew out of a program from the Department of Social Work, which has been collecting clothing donations for families in need for more than 10 years. The initial aim was to ensure that children being discharged from the hospital had appropriate clothing to wear. By the fall of 2017, donations began exceeding Social Work's use, so the department opened Remoc's Closet so that all families may take what they need, with no barriers to entry. Remoc's Closet now provides clothing of all types and sizes, and up to 30 items of clothing are being selected each day.

HEALTHCARE EQUALITY INDEX (HEI)

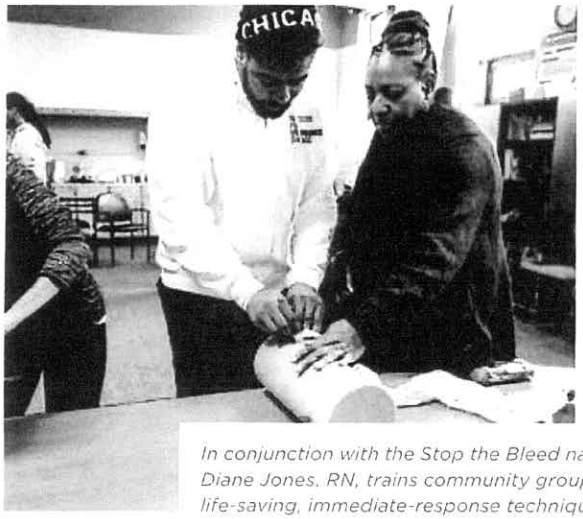
The Human Rights Campaign Foundation (HRC) has awarded the University of Chicago Medicine the "Leader in LGBTQ Healthcare Equality" designation for three consecutive years. The designation acknowledges the policies and practices UChicago Medicine has implemented in relation to providing health care for members of the lesbian, gay, bisexual, transgender and queer community.

HEI participants are given scores in four criteria that represent policies and best practices from each section they have implemented. Those criteria are:

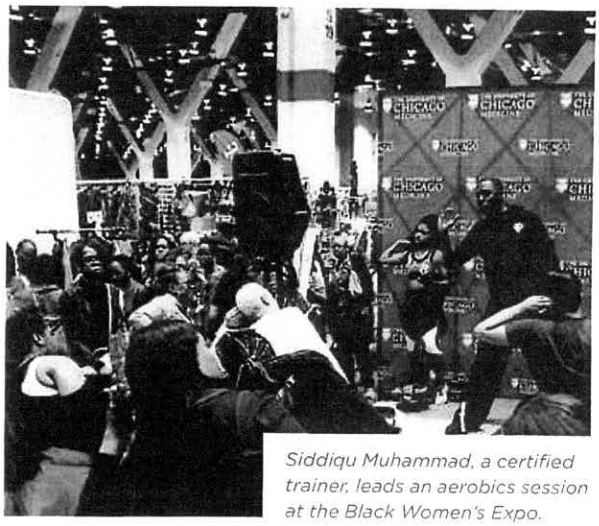
- Foundational elements of LGBTQ patient centered care;
- LGBTQ patient services and support;
- Employee benefits and policies;
- LGBTQ patient and community engagement.

STOP THE BLEED

Stop the Bleed is a national awareness campaign and a call to action. It is intended to cultivate grassroots efforts that encourage bystanders to become trained, equipped and empowered to help in a bleeding emergency before professional help arrives. The mission is to help ensure prompt access to life-saving, easy-to-use hemorrhage control resources. UChicago Medicine will provide training staff and printed materials and resources. To date, the Urban Health Initiative (UHI) has trained 16 people.



In conjunction with the Stop the Bleed national awareness effort, UChicago Medicine's Diane Jones, RN, trains community groups like Institute for Nonviolence Chicago on life-saving, immediate-response techniques for bleeding emergencies.



Siddiqu Muhammad, a certified trainer, leads an aerobics session at the Black Women's Expo.

EVENT SPONSORSHIPS

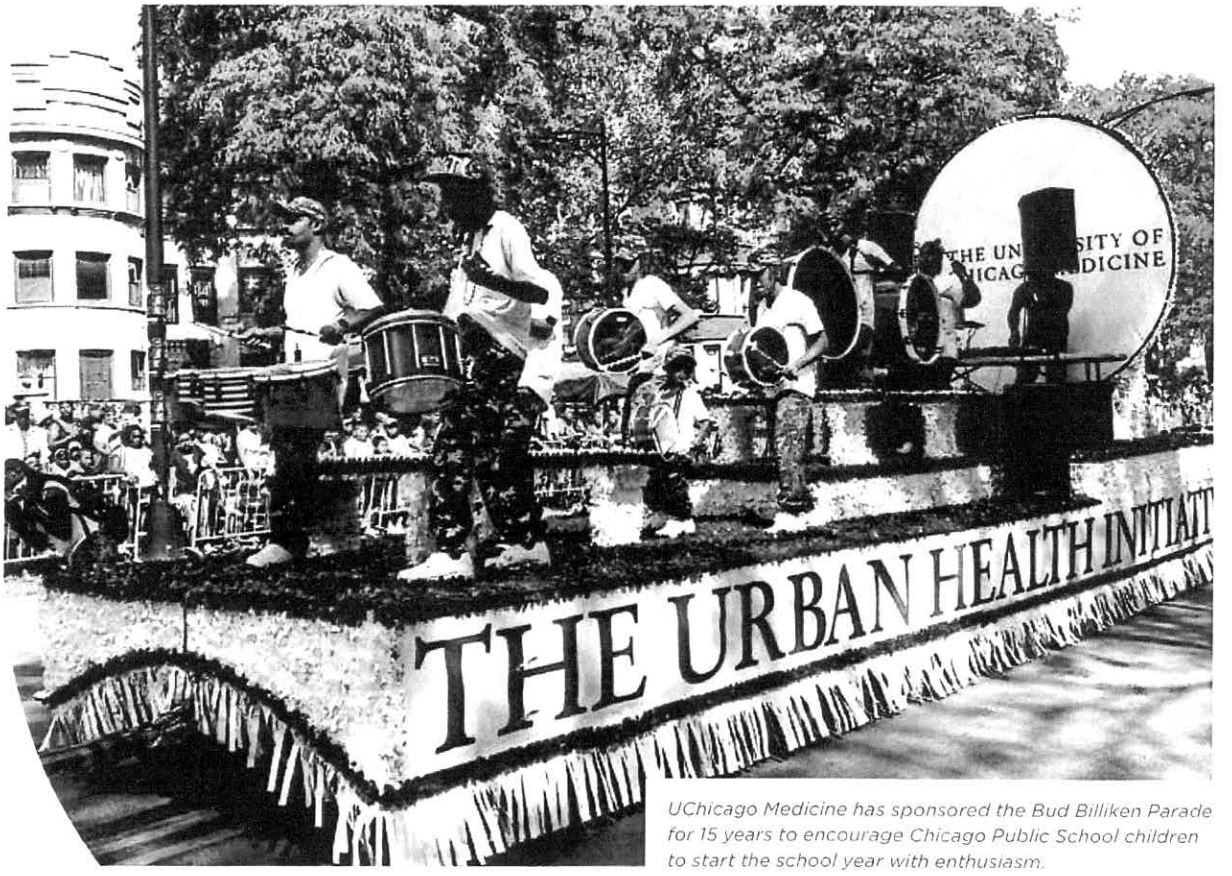
Black Women's Expo

Wellness was in the air for thousands of Black Women's Expo attendees who stopped by the Urban Health Initiative's booth during the three-day event held in April 2017. UHI provided blood pressure, glucose and HIV screenings, stroke and health education sessions, a women's health seminar and a fitness boot camp and Zumba class. For the first time, the booth featured Comer Children's Pediatric Mobile Medical Unit, which conducted on-site screenings. Many attendees also signed up on the spot for medical appointments.

UChicago Medicine physicians are among the chefs at the 2017 Real Men Cook picnic.

Real Men Cook

The popular annual Father's Day event at Hales Franciscan High School in June attracted grill masters and others for a good time. Many participants took great pride in their tasty dishes with a focus on health and wellness. Several UChicago Medicine doctors joined the tradition of cooking and serving under the "Real Docs Cook" tent.



UChicago Medicine has sponsored the Bud Billiken Parade for 15 years to encourage Chicago Public School children to start the school year with enthusiasm.

First Ladies Health Initiative

In September 2017, more than 50 Chicago and suburban churches hosted the 9th annual First Ladies Health Initiative—a day devoted to inspiring families to focus on health and wellness. UChicago Medicine's Women's Health team provided information on Women's Health services while Urban Health Initiative staff and volunteers shared community resources and guides for healthier food choices at Trinity United Church of Christ on the South Side.

African Festival of the Arts

The University of Chicago Medicine's Urban Health Initiative was a sponsor of the Health and Wellness Pavilion at the 28th Annual African Festival of the Arts in Washington Park in the summer of 2017. During the four-day event, UHI delivered an abundance of community resources and on-site checkups to hundreds of visitors, including health screenings, nutrition tips and fitness demonstrations. UChicago Medicine's Comprehensive Stroke Center provided blood pressure tests, the Southside Healthy Aging Resource Experts Network featured workshops on caregiving resources and the South Side Diabetes Project provided glucose screenings and diabetes education resources.

Doriane Miller, MD, (left) speaks with WVON's Perri Small at the Taste of WVON.

Taste of WVON

More than 40,000 turned out for the "Taste of WVON," the radio station's annual family festival in July. Sponsored by UChicago Medicine, the children's pavilion provided a variety of activities, including pony rides, games and health resources.

5841 S. MARYLAND AVENUE
CHICAGO, IL 60637
uchospitals.edu/community-benefit

Program data and metrics included in this report are provided by UChicago Medicine's Community Benefit and Evaluation Team and the Community Health Needs Assessment.

Section XII, Charity Care Information

Attachment 39

CHARITY CARE			
	2015	**2016**	**2017**
Net Patient Revenue	$1,493,813,000	$1,573,952,000	$1,840,375,000
Amount of Charity Care (charges)	$66,259,000	$81,946,613	$84,494,428
Cost of Charity Care	$14,996,000	$17,093,196	$17,581,627
Ratio of Charity Care Cost to Net Patient Rev.	1.00%	1.09%	0.96%

THE UNIVERSITY OF
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MEDICINE

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August 10, 2018

Ms. Courtney Avery, Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson, 2nd Floor
Springfield, Illinois 62761

Re: University of Chicago Medical Center ("UCMC", the "Medical Center")
Consolidation of Downtown Medical Office Building Space (the Project")
Application for Permit

Dear Ms. Avery:

We are pleased to submit our application to the Review Board for approval to provide specialized ambulatory care in a medical office building in the downtown area of Chicago.

We propose to consolidate and expand two of UCMC's existing, downtown medical clinics – a multi-specialty medicine clinic and a gynecology clinic – into one nearby location (the "Medical Office Building" or "MOB") through the lease of space in an existing mixed use building located at 355 East Grand Avenue in Chicago (the "Project"). This Project will include an immediate care center, multi-specialty physician office space, and diagnostic and treatment facilities.

Project Complies with All Review Board Standards

In planning for this Project UCMC was respectful of the Review Board's standards. We are pleased that our Project fully complies with all of the Review Board's regulations and standards, including project cost and need for the Project.

UCMC's Existing Ambulatory Care Model

Unlike many other academic medical centers or health systems that have had multiple ambulatory locations dispersed throughout the region for decades, UCMC concentrated its outpatient services in a single, on-campus location until a couple of years ago, when we opened the Center for Advanced Care in Orland Park and then a smaller center in the South Loop of Chicago. Collectively, these sites provide a home to adult primary and specialty clinics, pediatric specialty clinics, and outpatient diagnostic and treatment facilities. We thoughtfully designed the newer outpatient facilities in the style of our campus outpatient center, keeping patients' interests foremost, with the goal of bringing together ambulatory services into one facility to improve access for patients and to increase opportunities for multi-disciplinary approaches to outpatient care. The

models for multi-specialty medicine, with its emphasis on integration and teamwork, has worked well for UCMC and its patients.

During the past thirty years, the delivery of medical care has continued to shift to the ambulatory setting, with UCMC's proportion of outpatient revenue compared to total patient net revenue shifting from one-fifth (20%) to almost one-half (48%) outpatient. Changes in the standards of care and reimbursement methodologies account in part for this shift, but so do the expectations of health care consumers. Even academic medical centers, such as UCMC, which were typically regarded as destinations for specialty medical care, can no longer rely on a delivery model with one or two brick and mortar locations. Instead, we must respond more broadly to the trend of bringing quality and timely care directly to the patients we serve – both physically and through technology.

The consolidation and expansion of the two existing offices into a new medical office building is consistent with our ambulatory approach overall and will eliminate the inefficiencies of multiple smaller locations. The Project will result in UCMC having four centers for ambulatory care – on campus, in the south suburbs, in the south loop and in the heart of the city. These services will be in addition to the services provided by our Ingalls hospital in South Suburban Harvey. Patients demand this accessibility, and such access will keep patients healthier and at a lower cost.

UCMC's Service Area

UCMC is an academic medical center nationally and internationally renowned for its specialized care in cancer, digestive diseases, diabetes and endocrinology, gynecology, neonatology, cardiology, orthopedics, neurology, and urology. UCMC continues to be ranked among the nation's top hospitals by *U.S. News & World Report* as a high-performer with nationally recognized specialty programs in its annual "Best Hospitals" survey. In addition, UCMC plays an integral role in the regional delivery of healthcare within Illinois and locally in Chicago and the surrounding area. UCMC is committed to not only serving its immediate community, but to also serve as a resource to a larger geographic area. UCMC seeks to provide greater access to its patients who come from surrounding areas, by bringing these services closer to the patient.

While UCMC remains an anchor for patients seeking care within its main Hyde Park campus community, UCMC recognizes that many of its residents commute outside of the Planning Area for work each day. Approximately 62,098 residents of Planning A-3 commute to Planning Area A-01 each day, with many people opting to schedule healthcare appointments during their workday. The ability to schedule healthcare appointments during a lunch hour or other part of the workday keeps people healthier and at work. An estimated 387,480 commute to the six zip code area around our proposed Project location for work each day. The Project will also serve University of Chicago's (the "University") downtown campus and make our facilities convenient to those with a connection to the University, including students and employees.

Growth in Current Downtown Clinics and Population Overall

This Project will address the robust growth in outpatient treatment and diagnostic services experienced by UCMC in its downtown clinics, as well as growth in the surrounding area. Visits in the multi-specialty medicine clinic increased from FY10-FY18 at an annual compounded rate of 9.8% per year, which we project to continue going forward. We anticipate that gynecology visits will grow 4.8% annually over this time period. Within a one-mile radius of the proposed MOB, there is unprecedented new construction, including 1,582 new condos and 11,293 rental units for a total of 16,351 new residents resulting in a 25.1% growth in condo and rental units since 2015 within a one-mile radius of the proposed Project site.

Description of Current Project

UCMC proposes to consolidate and expand two of its existing, downtown medical clinics – a multi-specialty medicine clinic and a gynecology clinic – into one nearby location. The delivery of care in two smaller clinics is unnecessarily disjointed. The new consolidated MOB will eliminate the scattered nature of the outpatient services that UCMC currently provides and create a defined hub for outpatient care in downtown Chicago.

Specifically, the MOB space on the first floor will consist of a six-station immediate care center. The second floor will house 32 examination rooms and other diagnostic and treatment facilities, including diagnostic imaging (a mammography unit, a general radiograph device, ultrasound, bone densitometry); small laboratory for blood draws and specimen collection, and infusion therapy.

The relocated multi-specialty medicine clinic and the gynecology clinic will comprise the majority of the space in the Project. The clinical specialties included in the Project are services currently provided by UCMC downtown and for which there is high demand. The additional services include an immediate care center, mammography services, obstetrics, and infusion therapy, which are a natural and complementary extension to the existing service lines. Obstetrics will join the existing gynecology clinic, creating a broad spectrum of women's care, and UCMC will establish mammography services on site to round out these offerings.[1]

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[1] The Project is an extension of UCMC's commitment to community service and to improve access to services in which our own community has been historically underserved. Our 2015 community needs health assessment identified beast cancer screening as a priority for the patients that we serve. UCMC continues to invest and partner on programs that reach the most vulnerable populations to promote breast cancer screenings, including partnerships with the Illinois Breast & Cervical Cancer Program, the Metropolitan Chicago Breast Cancer Task Force and Sisters Work it Out. The expansion of mammography screening and diagnostics throughout Chicago is a key priority for UCMC.

UCMC anticipates that the equivalent of approximately 20 full-time providers representing a variety of specialties, including immediate care, primary care, cardiology, nephrology, urology, rheumatology surgery, dermatology, gastroenterology, psychiatry, sleep disorders, OB/GYN will have offices in the MOB.

The Project is Necessary and Well-Timed

With its focus on overall wellness instead of hospitalization for acute episodes of illness, health care policy continues to shift towards the delivery of outpatient care. In relevant part, UCMC's request to consolidate and expand its downtown physician offices is our further response to the changing healthcare environment, in which more care will be delivered in the ambulatory setting. Additionally, with this Project, we recognize that while UCMC has for a long time skillfully accommodated emergent and urgent medical conditions in its acute care and inpatient delivery model, patient waits for physician appointments have been a long-standing issue. There are prolonged wait times and access deficiencies for prompt and timely lower acuity health care. This Project, with expanded multi-specialty services and the addition of immediate care, will squarely address this need.

The consolidation of services, along with the addition of expanded primary care and immediate care and women's services, will improve efficiency, decrease costs and allow us to deliver timely and medically appropriate outpatient health care locally. It will also allow the opportunity for economies of scale and cross coverage and eliminate overhead and duplication of services.

UCMC remains one of the largest Medicaid providers in the State of Illinois. Through the new ambulatory location, we will be expanding access to high-quality, specialty outpatient services downtown Chicago. Additionally, UCMC has robust financial assistance and charity care policies, which would be available to patients on the same terms at the new ambulatory site.

We are pleased to submit our application for the consolidation and expansion of an ambulatory care facility to the Review Board and look forward to working with you to fulfill our mission.

Very truly yours,

Sharon O'Keefe
President

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